

THE ROUND TABLE

A Quarterly Review of

BRITISH COMMONWEALTH AFFAIRS

Contents of Number 194

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THE CHANGING COMMONWEALTH

And Articles from Correspondents

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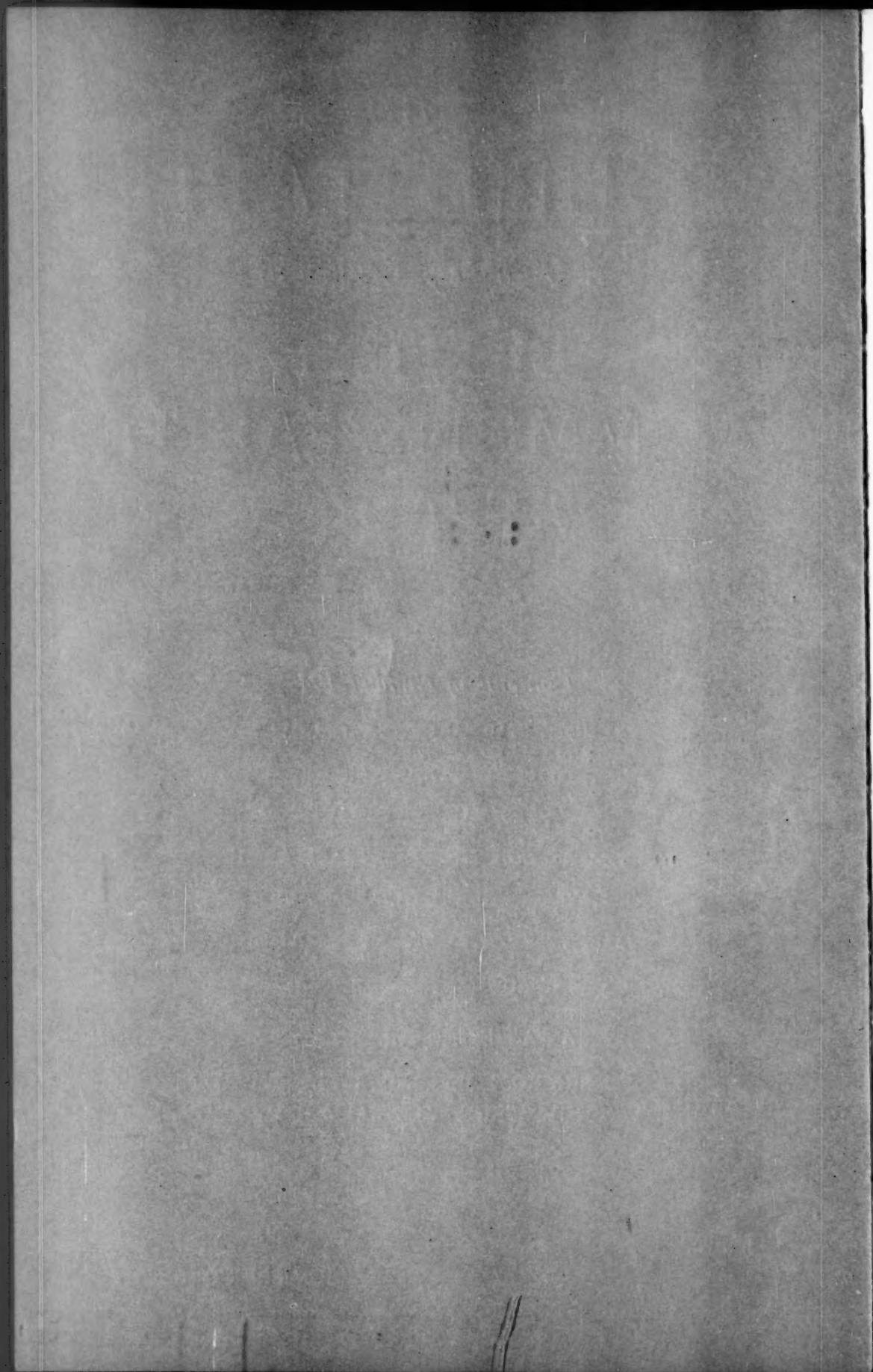
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THE ROUND TABLE

A QUARTERLY REVIEW OF
BRITISH COMMONWEALTH AFFAIRS

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RECONNAISSANCE IN MOSCOW

THE QUEST FOR A GERMAN SETTLEMENT

THE motive of Mr. Harold Macmillan's journey to Moscow is officially declared to have been exploration and not negotiation; it may, however, be presumed that among the subjects explored was a possible basis for negotiation between East and West, whether at the summit conference proposed by the Soviet or at the meeting of Foreign Ministers which in the Western view is more likely to lead to concrete results. The Russian ultimatum concerning the occupation of Berlin, expiring on May 27, is to be read in conjunction with Mr. Gromyko's foreign policy speech to the 21st Communist Party Congress on January 29, couched in terms of fierce invective against West German rearmament and allied policy in Germany in general. The implication is that the Soviet would have it thought that a settlement of the German problem is now the most urgent question in East-West relations; and accordingly a substantial part of the space in this issue of *THE ROUND TABLE* is devoted to an analysis of the issues involved. It should not, however, be too lightly assumed that the aspects of policy on which Russian leaders have most to say in public are predominant in their secret thoughts; and it is prudent to pay some heed to the warning conveyed in another article,* that while Western diplomacy is concentrated upon European affairs, unforeseen danger could arise in the Middle East. The Kurds, who live about the uneasy Caspian frontier between Persia and the Soviet Union, are a race about whom the British people know even less than they did about the Sudeten Germans in 1938; yet in some circumstances the vital interests of the free world might become suddenly involved in their fortunes, and it is important that public opinion should be prepared for the possibility. The charges of duplicity levelled by the Kremlin against the Shah's government on February 12 may be an omen of trouble to come.

But the existence of other inflammable regions in the world need not obscure the urgency of the Prime Minister's warning, on February 5, that Europe may soon be gripped in "a difficult and almost dangerous situation". Whether or not there is good reason for suspecting a large element of bluff in the Russian demand for an end to the occupation of Berlin, backed by the threat to place the satellite government of East Germany in control of the allied lines of communication, it compels the Western powers to make one more attempt to negotiate with the Kremlin. It requires them also to come to agreement among themselves upon the objective they will seek in any negotiations.

The future of Germany will evidently be the immediate subject-matter. It is important, nevertheless, to be clear that the purpose of treating with the Russians is not the unification of Germany, nor even the settlement of the question of Berlin, but the establishment of peace with security. Though it

* See pp. 128-9.

may be a hard saying for Western Germany, the other N.A.T.O. powers are bound to regard German unity as a means to the larger end, and not an end in itself.

The argument of Mr. Gromyko's speech, however, is that the maintenance of peace depends upon the conclusion of a German treaty. He said*

The question is: Either the arming of the Bundeswehr with atomic weapons, which, even if masked by verbal and paper assurances of all kinds, actually means a policy of unleashing war, or else a settlement of the German question, precluding the possibility of Western Germany being transformed into the source of a war danger. For this purpose it is necessary, in the first place, to sign a German peace treaty. The signing of such a treaty would also mean taking an important step towards a solution to the problem of German unity, since it would facilitate understanding between the two German states, without which the unification of Germany is only empty words.

But if the unity of Germany, thus approached, is the condition of ending the cold war, then another deadlock is scarcely avoidable; for no compromise is in sight or easily imaginable between the Western proposal for merging the two Germanies through free elections and the Russian insistence on the scheme for confederation in which the Communist East German region would maintain its identity intact. For, as the author of "The Vortex in Berlin" succinctly expresses the dilemma†:

We must maintain the liberties of the citizens of the Federal Republic; and the Russians have made it clear that they have no intention of giving up the political, social and economic structure of their zone. These are fundamentals on which we cannot expect either side to budge. No party in Germany nor anyone amongst Federal Germany's allies wants reunification at the price of freedom; and we must in honesty accept that the Russians for their zone have the same ideological objections.

With these familiar barriers to agreement apparently as impregnable as ever, the question may well be asked whether there is any practical need for a German treaty, with or without unification, at all. An arguable answer is: "only because the Russians say so." The division of Germany is not a violation of the order of nature. For much the greater part of the last thousand years Germany has been divided; the greatest contributions by Germans to civilization have been made under fragmented government; nor has united Germany, during the comparatively short periods of its existence, notably served the cause of world peace. We are bound to support the principle of unification in freedom, in loyalty to our own pledges and to our allies of the Federal Republic, who believe it to be in their interest. But it is not a British or American interest; it is far from self-evident that it is a European interest; and we cannot sacrifice any larger good for its sake.

If German unification is elevated into a primary object of Western diplomacy, the Russians may well play upon that fact in order to extort dangerous concessions. As little for them as for us is unification an end in itself. They are well aware that neither American nor British power can be maintained in

* Quoted from *Soviet News*, Jan. 30, 1959.

† See p. 115.

Europe without Germany as a base, and the prize they have always before their eyes is the break-up of the N.A.T.O. system and the withdrawal of the American forces from the continent. It is conceivable that they may offer concessions to the Western plan of unification, if not with that condition at least with that ultimate object in view, having calculated the risk that a united Germany may wish the Americans to stay. The odds may very well be in their favour. Dr. Adenauer is in his eighty-fourth year, and no-one can predict what will come after him in Western Germany, except that the hold of his party upon power is unlikely long to survive his retirement.

To maintain the Western position in Berlin, so long as the cold war continues, is a strategic necessity that may have to be defended even at the risk of war. So Mr. Dulles has explicitly declared. The hope of achieving German unity justifies no such risk, nor even the surrender of any important tactical position. Nor, it may be suspected, are the Russians in the mood to pay any substantial price for movement towards unification on their own terms. The plain truth, generally veiled, is that in present circumstances the continued division of Germany is the one common interest of East and West.

Provided a resolute and united front is maintained by the Western powers in any negotiations this year, it is improbable that the Russians will be found pressing any European issue *à outrance*, for their motive to do so is not compelling. Their rulers still hold the Marxist faith, that history is rolling inevitably their way. To quote Mr. Gromyko again:*

Thanks to the success of our socialist system it is now quite possible to fulfil the people's age-old dream—to banish from the life of society world war, with all the horrors it entails, especially in view of present means of destruction. If the socialist system of society gave no more to mankind than the removal of the disaster of world wars, that alone would be enough to sound the death knell of the moribund capitalist system and would be evidence of that system's historical doom and of the triumph of the new social system—socialism and communism.

It is for the West to prove that this estimate of the secular trend is wrong, that the free society of Christian Europe and America has an inner force and elasticity that can outlive the rival monolithic system. Meanwhile the need is to hold the frontier of Western civilization with unyielding firmness, conceding nothing without exacting full—and lasting—value in return. There is no occasion to be hustled, rattled, or taken by surprise by any sudden Russian foray in an unexpected direction. The *vis inertiae* of the position is not unfavourable. It is not imperative for us to find a quick solution for the present perplexities. Europe as it is, with all its post-war anomalies, is not intolerable for us, nor even for the West Germans. If there is an *impasse*, we did not make it; and the onus of finding a way out rests elsewhere.

* *Soviet News*, Jan. 30, 1959.

THE VORTEX IN BERLIN

DIVIDED GERMANY AND EUROPEAN SECURITY

MR. KHRUSHCHEV's Berlin ultimatum of November 27, 1958, has brought sudden movement on the European front which the leading article* of the last issue of THE ROUND TABLE, written before Mr. Khrushchev's note, described as "bogged down". With all the difficulties arising from the Russian move very much in the forefront of the minds of Western statesmen it can nevertheless be admitted that the Russian action has had one salutary effect. For there has been a serious danger that Western public opinion, and perhaps even Western chanceries, confused the bogged-down state of the European front with a position of stability which did not require much diplomatic attention. This illusion was convenient, for it set free energies for closer consideration of Asian and African problems, which without question are of vital concern not only to the United Kingdom but to the Western world as a whole.

Yet the health, political, economic and military, of Europe must remain the first charge on British attention, simply for reasons of geography if for no other; and thus in a curious way we may have reason to be grateful to Mr. Khrushchev for his action. For the old maxim that Britain cannot afford to see the Low Countries in hostile hands is as true as ever. Technological advance has not changed it; it simply means that in modern conditions the Low Countries extend right across northern Europe. The security of this area can no longer be assured by Britain alone, if ever it could. It demands the closest possible co-operation with our N.A.T.O. allies and our O.E.E.C. confederates, for it involves not only military but economic issues. Hence the Prime Minister's insistence on "inter-dependence". Such "inter-dependence" demands an understanding of the moods and wishes of our allies; still more to the point, we must know where we stand.

Such clear knowledge must lead to the conclusion that, given present power relations between West and East, we cannot now achieve more than the maintenance of the *status quo* in Europe; and even such maintenance will cost a deal in energy and effort. Such a view, realistic rather than pessimistic, appears unavoidable when all the possible permutations have been worked out between the Allied position in Berlin, the unity of Germany, the Western frontiers of Poland, the safety of the N.A.T.O. alliance, disengagement, disarmament and, finally, competitive coexistence. This emphatically does not mean that the West should refuse to negotiate on all these interlocking issues; nor should it appear to enter negotiations with reluctance or diffidence. On this issue, above all others, we must make clear where we stand.

However justified our pessimism about the outcome of negotiations with

* See "Europe and her Challengers", THE ROUND TABLE, no. 193, December 1958, pp. 3-6.

the Russians, we have no reason to fear them and there is nothing we can lose. On the contrary, the only thing to fear is that by seeming to avoid discussions the West may give an opening to Soviet propaganda, which would not be slow to claim that the West was not interested in removing tensions nor in avoiding an arms race. Whatever we do, we may not be able to prevent the Russians from giving this impression to their own people and to their satellites. Amongst the non-committed nations, however, there are now encouraging signs. They begin to realize that at the very moment when Western imperialism is on its way out Soviet imperialism is very much about. And it is not only for the sake of reassuring public opinion in countries far away that the West must be willing and appear to be willing to negotiate. Much nearer home in all Western countries public opinion has clearly been so perturbed by the consequences of nuclear war that the Western leaders cannot afford to neglect reassuring their own people. If nothing else, party political considerations demand it. The Opposition parties everywhere in the West, not only the Communists, are increasing their pressure for negotiations; and neither the British nor the American nor the western European governments can afford to neglect the uneasiness amongst their electorates, an uneasiness which in many continental countries is powerfully fanned by strong Communist parties.

Nor is it wise to shut our eyes to another argument which enforces the need for convincing proof that the West is ready to negotiate. However fantastic it appears to those who know the aims of American foreign policy, it is true that there is a widespread impression in Europe of an American leadership still wedded to concepts of crusading against godless bolshevism, of "rolling back" Soviet influence, of "brinkmanship". In the period of uneasy co-existence and fierce economic competition, which is the best we can hope for in East-West relations for a long time to come, the morale of the Western peoples will be of paramount importance. Good morale is based on a good conscience. Nothing can be more damaging to the maintenance of a good conscience than the nagging doubt whether Western leaders have done all they can to ease tension and to preserve peace and freedom. And since the West has a good case it need have no fears of having it tested again and again by negotiations with the Russians.

Yet some people who would certainly agree that the West has a good case still express their doubts of the wisdom of negotiations. They argue that any negotiations which turned out to be fruitless would harden tension between the two blocks, and that such lack of success would lead to hopelessness and apathy in Western public opinion, a state in which no free society can flourish. There is some substance in this argument. It is also true that Russian propaganda, by holding out many vague hopes, is clearly designed to force Western statesmen to accept an agreement, however dangerous and disadvantageous to the West, in order to avoid the shock of disappointment to their own public opinion. But it should not be impossible, it is indeed vitally necessary, to present the free nations with a precise picture of what Russian proposals really imply, of how little the West is in a position to give away, so that all negotiations are undertaken in a climate of opinion which is based on

the clear understanding that we must not hope for much from such negotiations.

Negotiating with a Dictatorship

WHY, people may ask, if you have no hope, or not much hope, should diplomats be asked to waste their time in negotiations? The blunt answer is that for governments responsible to their electorates there is no alternative; and as for wasting time, one might ask what the diplomatic services are for if it is not to keep on negotiating. It can also be argued with some force that our willingness to negotiate at the current two conferences in Geneva is already paying a handsome dividend. People who follow the negotiations find much evidence of Western reasonableness. They also find that many Russian proposals are so obviously unreasonable that Western negotiators can easily resist them without fear of being accused at home of reactionary obstinacy.

Furthermore, when negotiating with a dictatorship, particularly one like the Russian which is extremely good at preventing the outside world from knowing its own internal problems and difficulties, there is always a chance that for reasons of internal policy, or personal rivalries between leaders, the dictatorship might suddenly yield. Historical precedents for such unexpected and unpredicted concessions may be found in the Russian attitude during the Congress of Vienna. Obviously we cannot place much hope in, nor base our plans on, such a sudden change; yet we need not increase our heavy task by completely excluding such a possibility. After the revelations of the twentieth congress of the Soviet Communist Party there were many Western commentators who claimed to have known the true position all along; but even diligent students of their commentaries may be forgiven if they had not noticed such knowledge before. Such a break in the Russian position produced by some internal developments will never be more than an outside chance; one day it may well come true. It provides one argument amongst many more powerful arguments in favour of negotiations, but not an argument for being more hopeful about their outcome.

In fact, in its relations with the Soviet Union the West can do worse than adopt the old French motto *ni peur ni espoir*: we must not be afraid of negotiations but we should have no illusions about their result.

To have no illusions is the only possible posture after an analysis of the many inter-locking issues which have been brought to the forefront of diplomatic activity by Mr. Khrushchev's initiative. While a solution of the Berlin problem can, if at all, be found only within the larger framework of a solution to the German problem, the Western attitude to Khrushchev's ultimatum on Berlin is clearly indicated, quite apart from the views that people in the West may have about Germany as a whole. Berlin has become a symbol for the West.

Maintenance of the freedom of West Berlin is, of course, part of our obligations, assumed at the time of the German surrender in 1945 and reinforced, by implication, on the day when the Federal Republic of Germany was admitted to N.A.T.O. Yet the Berlin problem has quite a separate existence from

the problem of German reunification and the problem of a German peace treaty. Berlin has been built up into a symbol of Western power, Western faith, Western loyalty, Western determination, in short, a symbol of the Western way of life. Hence the West has no room for manoeuvre over Berlin, so far as the guarantee of freedom for the West Berliners is concerned. The West cannot budge there if it does not want a disastrous lowering of morale and a loss of confidence in the strength of the free world. Even those who believe that Europe does not really matter, and that only the struggle for the uncommitted nations counts, must realize that Western weakness over Berlin would have a disastrous effect on the uncommitted nations in the whole world.

But, of course, Europe counts. And after the many solemn declarations made by Western statesmen, and by the Americans in particular, the acceptance of arrangements which would not fully guarantee the freedom of West Berlin would mean a major victory for Soviet Russia. A "free city" of Berlin not protected by guarantees which are easily enforceable would soon lead to economic ruin, since business would lose all confidence in its viability. It would be interpreted in Germany as evidence that Germany's N.A.T.O. allies have ceased to believe even in the idea of German reunification. For Berlin is the last link between the two halves of Germany, and to accept a status which would weaken that link must imply a weakening of the Western will for German reunification in freedom, to which we are all committed however impossible it is at present to see how it can be brought about.

Indeed, just because no one in the West, not even the Federal Republic of Germany, has been able to suggest any practical idea of how to achieve reunification, nothing should be done which would make a difficult and dangerous problem still less capable of solution. Certainly, to yield over Berlin would severely shake German belief in the value of Western guarantees of German security, and thus could not be undertaken without severe repercussions on the structure and strength of N.A.T.O. itself. It may not have been wise to make West Germany such an indispensable partner, but, rightly or wrongly, German forces now hold a key position in N.A.T.O. strategy and tactics and the importance of that position is certainly going to increase in the coming years. Given the underlying instability of German democracy, which one has regretfully to accept on the basis of a steady trickle of evidence coming from that country, and for which her economic prosperity provides only a temporary counter-balance, it is only too easy to see where German public opinion may be led, once it feels that its Western allies have forsaken the Federal Republic. Anti-Western sentiment amongst many Germans outside Bonn is not so dead that it could not be quite quickly rekindled, and at the same time the temptations of Communist propaganda may be more difficult to resist. It is no consolation for the West to know that anti-Western action would hurt Germany most. To cut off one's nose to spite one's face has been a national pastime of Germany at not infrequent intervals throughout her history.

Looking at the very awkward political and military situation in which Khrushchev's demand for withdrawal of Western troops from Berlin has

placed us, we may well agree that it might have been a neater solution in 1945 not to give hostages to fortune by accepting responsibility for the Western half of Berlin. It would have been easier to be responsible only for those territories which are directly linked with the main mass of free Europe. But this is hindsight. At the time when the details of the occupation of Germany were settled with the Russians there was a justified feeling that the West had struck a good bargain. After all, the Russians were then sweeping on through Poland and the Allies had not yet landed in France. Even if in the spring of 1945 the Western troops could have reached Berlin before the Russians—which is by no means certain—it would have been the West that in the eyes of the world and of its own peoples would have broken an agreement with its war-time ally. Such psychological factors with their impacts on their own peoples are under-rated at their peril by leaders of democratic nations.

In any case, whatever might have been the right policy at the end of the war, the Berlin blockade, the quite remarkable behaviour of the Berliners under it, and the Russian defeat which the end of the blockade represented, established Berlin's claim on Western support, which cannot now be gainsaid. Hence the essential freedom of West Berlin is an issue that the West must maintain at all costs.

Mr. Khrushchev must have known this. When he issued his ultimatum he must have known that the West has no room for manoeuvre in Berlin. This is why his move may become extremely dangerous. Since the West cannot withdraw on the fundamentals of this issue, he must. Fortunately, while loss of face is not agreeable for any power, the Russians, and Mr. Khrushchev in particular, have shown on several occasions that they can accept this. After all there is no official opposition in Moscow to profit from the Government's mistake.

Nevertheless, if it is true that Mr. Khrushchev should have had no illusions about Western firmness we must try and answer the question why he moved. There can be no certainty in answering this question. It seems most likely that he moved in order to stabilize the *status quo* in Europe.

For the present extent of Soviet power and influence into the very heart of Europe may be considered the maximum the Soviets can hope to achieve, and they must be interested in stabilizing the position. This is particularly true if we accept Russian declarations that the spread of Communism no longer requires military adventure but can be more successfully and cheaply achieved by economic penetration.

We should be clear in our minds what we mean by "standing firm" in Berlin. It means maintaining such military, economic and diplomatic arrangements as will guarantee the civic liberties of the West Berliners and will allow them to remain economically as viable as they are now. Whether the maintenance of this position does not allow for certain changes in the present arrangements concerning free entry and exit of Allied troops stationed in Berlin is another matter and something to be explored. We must face the fact that we shall not be able to prevent the Russians from withdrawing their troops from the borders of West Berlin and from the border between the Soviet Zone and the Federal Republic of Germany. It would look odd, to say

the least, if the Federal Republic or her Western allies tried to prevent Russian troops from moving farther east.

The Meaning of Recognition

SHOULD Mr. Khrushchev insist on this move, which he announced in his note of last November and which he has confirmed several times since, the problem of our relations with the East German régime would become acute. The Western Allies have often acknowledged the claim of Dr. Adenauer's government to be the representative of all-Germany—not only of the former three Western Zones of occupation, which today form the Federal Republic of Germany. They cannot, therefore, formally and juridically recognize the other body which calls itself the German Democratic Republic (D.D.R.) and which governs from Pankow the Soviet Zone of Germany. We know how strongly our West German allies feel on this point. They have often threatened to break off diplomatic relations with any country which assumes them with the D.D.R. And they have shown that this is not an idle threat by breaking with Yugoslavia when Tito recognized Pankow. Whether this attitude is wise and in the best interests of the Federal Republic and her N.A.T.O. allies is open to doubt, and is indeed openly doubted by many responsible Germans.

However, our relations with the East German régime appear to be much less of a difficulty now that the legal concept of "Recognition" has suffered a rapid and steady erosion. Gone are the days when governments were dedicated to the simple, logical proposition that you either recognize another government or you do not. Over the years there has developed in this matter of recognition a kind of Gresham's Law, the bad driving out the good. It started with the acceptance of a status below *de jure* recognition when governments found it convenient to accord *de facto* recognition to some new régimes.

Of late this process has gone further, until we have now arrived at what in the views of international lawyers must be considered as a bargain basement form of international intercourse. At the United Nations and in other international bodies governments work together who do not recognize each other, who indeed in their school textbooks do not even admit the existence of many a state with whom their representatives on many international bodies are in constant contact. This process of eroding the legal content of Recognition has been furthered not only by the growth of international organizations; it has been helped along by a development, as it were, from the other end of the scale. Textbooks of international law used to attach paramount importance as a criterion for Recognition to the question whether a new régime was in effective control of its territory, whether it could exercise "sovereignty". The growth of satellite states all over the world, whose sovereignty is highly circumscribed and who yet have been accorded full recognition, makes it easier for the legal advisers of the Foreign Offices of the world to be more broad-minded about the concept in general.

It is international practice today for two countries to co-operate very closely, particularly in the economic field and on specialized technical matters such as transport, health, labour conditions, even police aid, and to do this

without even the formal act of *de facto* recognition, not to mention the *de jure* one. Thus dealings by the Western powers with the East German régime could go to some length provided always that the formal juridical act of recognition is withheld.

Such relationship is quite practical. The Germans have proved it by the very close "technical" relations which, not unnaturally, have by now been established between Dr. Adenauer's Federal Republic and the Soviet Zone of Germany. The extent of this co-operation and interchange goes very much further than is usually realized. It goes beyond purely technical arrangements, such as transport, and even beyond commercial arrangements. It used to be held as an official dogma at Bonn that there was one unsurmountable limit to these relations: political leaders of the two countries must not be in contact, however close the co-operation between technicians, business men and civil servants. Even this limit was overcome when Herr Schäffer, Dr. Adenauer's then Minister of Finance, went secretly to East Berlin and had negotiations in the presence of the deputy Minister of Defence of the Soviet Zone Government. When, characteristically, the Soviet Zone "leaked" the news of this meeting, the West German Minister tried to explain that he had met the East German Minister not in that capacity but simply because he was a son of his dearest school-boy friend.

The reaction of West German public opinion to these revelations is not without significance for our future actions over Berlin and German reunification. Nobody in Bonn worried about what Washington, London and Paris might feel about so flagrant a deviation from the official line agreed between West Germany and her Allies. Were the Western governments informed beforehand? We do not know. On the whole, both government and opposition parties decided that Herr Schäffer had acted patriotically, although the Social Democratic opposition did not fail to underline that up to that moment any one on their side who had suggested such contacts had always been sternly reproved by Chancellor Adenauer.

We may draw two conclusions from this episode. First, that German public opinion is moving rapidly away from the old rigid postures concerning relations between the two halves of Germany. People realize that if they want to make progress with reuniting these two halves, they had better face the sad fact that Hitler's policy has produced a Communist satellite régime between Elbe and Oder. Secondly, as a result of this new-found realism in Germany, her Western allies can in their negotiations with the Russians about Berlin consider some purely technical arrangements involving officials of the Soviet Zone régime without being accused by the West Germans of a stab-in-the-back. Provided always, of course, that on the essentials of the issue, the fundamental freedom of West Berlin, they continue to stand firm.

It is as well to be clear on this point. Otherwise a study of the intensity and scope of the contacts between the Federal Republic of Germany (F.R.) and the so-called German Democratic Republic (D.D.R.) may lead Western public opinion to wonder why the West should be asked to accept a restriction on its contacts with Eastern Germany which goes very much beyond the practice of Bonn today. The recent conclusion of a trade agreement

between the Federation of British Industries and the Chamber of Foreign Trade of the D.D.R. shows that industrialists and traders in this country are no longer willing to accept, in the assumed interest of Western foreign policy, restrictions which West German industry and trade have long ago thrown overboard. This trade agreement was not received well by some sectors of West German public opinion, and a few German trade papers accused Britain of betraying the highest values of Christian civilization. But this campaign was promptly and properly nipped in the bud by the West German Government, who are well aware of all the official and unofficial economic activities between the two halves of Germany.

More important, the trade agreement also shows what can be done if both sides consider it their interest to accept "bargain-basement recognition". Neither the British Government nor that of the D.D.R. was officially concerned with the arrangements. It is possible to think that both the Foreign Office and the Board of Trade were not wholly unaware of the negotiations undertaken by the Federation of British Industries. Yet it is more than likely that the only government official with whom the trade delegates from the D.D.R. came into contact was the immigration official at their port of entry. These delegates in turn were not officials of the East German Government, but of the East German Chamber of Trade. Since the D.D.R. has a state trading organization for all its exports and imports, this distinction may appear to be without much significance. Yet it enabled everyone to keep a straight face, to come to mutually useful arrangements, and to avoid recognition of the Soviet Zone Government, both *de jure* and *de facto*.

This precedent could be used by the West to help the Russians to climb down from their Berlin ultimatum without too much loss of face. Should the Russians agree, the Soviet Zone Government will have to be content with this concession, although they would, of course, like full recognition as the second German State and an end to the embarrassment which the free half of Berlin causes the Communist régime.

Dictatorships like to be, and often have to be, closed societies. The D.D.R. is no exception. And its rulers take no pleasure in having right in the middle of their Communist state, the population of which is in any case not enthusiastic about its own régime, West Berlin as a very lively centre of resistance to the régime, a place of refuge not too difficult of access, with an alert and active public opinion which not only spots Communist mistakes and contradictions, oppressive measures and injustices, but at once publicizes these with all the means of modern propaganda. All this would be a severe tribulation to a régime much more securely established than the German Communists are.

These Western propaganda activities are entirely right and proper. What is much more open to doubt is whether the vast network of not very secret Secret Service agencies maintained in West Berlin by the West German Government and other Allied governments really serves any useful purpose. Berliners, always cynical, think that their only justification is as out-door relief for the Berlin unemployed. Current revelations make it clear that quite a number of Berliners make an easy living out of purveying bogus informa-

tion and often show a fine spirit of go-ahead enterprise by working for both sides at the same time.

These Secret Services seem to have been quite unaware of major developments, such as the June rising in 1953. If they are as useless as well-informed opinion generally assumes them to be, it might be well worth while to offer their suppression as a bargain counter, particularly since both the Russians and the East German régime keep on emphasizing the responsibility of these services for the state of tension. The West might offer to withdraw these agencies if the Russians in return will stop jamming the broadcasts of the West Berlin Radio Stations.

Psychologically, too, their abolition may be a gain to the West. A surprising number of Germans base their views that the West is almost as much a warmonger as the East on the constant flow of exposures of these Western, mainly American, intelligence services. Viewed from England such a suggestion is preposterous, but it must be remembered that Berlin news has a much more immediate impact on West German public opinion than declarations by the White House or Downing Street.

This then appears the maximum that the West could offer: an end to the Secret Service beer-garden in West Berlin in exchange for an end to Russian jamming of West Berlin Radio Stations. And, more important, should the Russians withdraw from the borders of West Berlin and from the frontier between the Federal Republic and the D.D.R., the West would be willing—on a purely technical level and without recognizing the D.D.R.—to deal with East German officials on the entry and exit routine required for the maintenance of Western military presence in West Berlin.

War Issues Unsettled

THE Russian move has made people think of all the other loose ends of European policy, the many issues resulting from Hitler's war which are still unsettled. Faced with the dangerous possibilities inherent in the Berlin situation many people have looked round to see whether this was not the right moment for a package-deal; perhaps the peace treaty with Germany which is still to be concluded could be used for this purpose?

The quest for a solution has led to a curious position in Allied discussions. Like a wooden plank in the eddies of a harbour mouth driven on to one corner of the harbour and ricocheting off the concrete harbour wall to the other side where in turn it will be pushed out, we are witnessing a merry-go-round of the various problems under review. We look at reunification and find this difficult; so we look at the German-Polish border. This in turn proves incapable of immediate solution, so we look at disengagement and at the various Rapacki plans. From their consideration we are driven to the question of the value of the N.A.T.O. alliance, and this brings us back to the question of German reunification, since for German public opinion one of N.A.T.O.'s main purposes is to bring reunification about. We should not be supercilious about this state of affairs. It is an expression of the very genuine fear and anxiety which these baffling issues are causing to thinking people.

It is also, alas, an indication that a realistic appraisal gives not much hope of a speedy and satisfactory end to the quest for peace.

As their contribution to this quest the Russians have obliged by presenting us with their ideas on such a package-deal in their draft for a Peace Treaty between the victors of the last war and, what they call, the two German States. *Timeo Danaos*. This draft treaty reached the West and Germany early in January, and it does not appear to have been given the attention it deserves as an indication of the maximum demands of the Russians. It repeats Mr. Khrushchev's ideas on the new status for Berlin, and it puts the Russian view on all the other issues which are now in the European melting pot. It might be useful to look at the main political and military proposals. Of the political issues, reunification and the Oder-Neisse Line are outstanding; of the military ones, neutralization of Germany, the withdrawal of all foreign troops, controlled armaments for Germany, this control to be coupled with a permanent supervision of Germany by the war-time Allies.

On reunification the Western attitude used to be simple and clear-cut. We have tried to persuade the Russians to permit free elections in the two parts of Germany and in return we have offered to agree that the Government of the newly united Germany should not be tied beforehand to continue the N.A.T.O. obligations of the Federal Republic. This, while very reasonable from the Western point of view, has always been quite unacceptable to the Russians. For they have no illusions as to the result of genuinely free elections in their zone, and they do not doubt that a freely elected all-German Government would wish to continue the N.A.T.O. association of the Federal Republic.

These Russian objections have made an impact on both West German and Allied opinion. As a result Western statesmen have now moved from this position and have committed themselves to the view that reunification is possible without first holding free elections. But how this is to come about, assuming always that we maintain, as we must, our demand for reunification *in freedom*, nobody has yet explained. The fashionable watchword, also contained in the Soviet draft of the peace treaty, is: confederation between the two halves of Germany. What can this mean? It may simply imply that the present close links of a "technical" nature between the Federal Republic and the D.D.R. should be openly formalized. If so, we need not object, but nothing will have been achieved which would bring real reunification nearer. If, on the other hand, "confederation" means a greater political integration of the two Germanies, then it is very difficult to see how this can be achieved. For we must maintain the liberties of the citizens of the Federal Republic; and the Russians have made it clear that they have no intention of giving up the political, social and economic structure of their zone.

These are fundamentals on which we cannot expect either side to budge. No party in Germany nor anyone amongst Federal Germany's allies wants reunification at the price of freedom; and we must in honesty accept that the Russians for their zone have the same ideological objections. We need not assume complete rigidity in the Marxist-Leninist dogma. There are sufficient passages in the Bible which enable the devil to quote scripture; and, no doubt, on some tactical point the Russians can do one thing basing their action on

one of Lenin's sayings, and at a convenient moment do the opposite and provide a suitable quotation in support of that. But a withdrawal from satellite countries, such as Eastern Germany, is much more than just a tactical question. It goes to the very heart of Communist conviction. They believe that their form of social organization is better than that of their opponents and that inevitably it will dominate the whole world. In the words of Mr. Khrushchev: "We shall outlive you."

How then can any politician in Russia give up the inestimable benefits of Communist rule, ideological and organizational, the freedom from capitalist exploitation, sound agricultural development, socialist realism in art and, in general, the Marxist-Leninist way of life, which the Soviet Zone now enjoys?

Some clever people in the West reply that that is not what our plans would involve. We ask only for withdrawal of Russian troops, not for a dissolution of the Communist régime. But neither in Eastern Germany nor in many other Russian satellites could Communist régimes survive without Russian backing, backing not only diplomatic but military, even if the military are now more and more shoved into the background. Besides, is it not one of the strongest arguments of Western advocates of military disengagement that such thinning out would lead to Russia's losing her political grip on the satellite countries? While this hope makes it right for us to consider the possibilities of such action, it also means that the Russians cannot seriously consider accepting.

Their experience in satellite countries has not been altogether encouraging. There is, of course, Hungary and the "Polish October", but there are two other events which are not so obvious and not so often mentioned. It could well be argued from the Russian point of view that their agreement to the Austrian treaty has turned out to be a bad bargain. Quite a good case can be made for saying that the Hungarian rebellion would not have started and certainly would not have assumed the proportions it did, if Hungary at that moment had not had direct territorial contact with the West. If there had still been Soviet troops in Austria, is it not at least likely that many Hungarian patriots would have considered the rising quite hopeless?

And take the first rising of all against a Communist satellite régime, that of Eastern Germany in June 1953. It is forgotten today that this rebellion was sparked by an attempt of the German Communist régime to go softer, to set a new course, to allow some sort of workers' demonstration against their wretched living conditions. Truly, from the Communist point of view, giving up their political and military grip on the satellites is a very risky undertaking, not to be contemplated without great advantages in return. For this reason we should not be afraid of suggesting such a move in negotiations; but for the same reason we should not have much hope of succeeding.

Thus confederation means either the confirmation of the present relationship of close "technical" contacts between the Federal Republic and the D.D.R., which would then bring reunification no nearer; or else it presupposes that the West or the Russians will yield on fundamentals, on the political and social status of "their" Germany. Neither the West nor the Federal Republic would be willing to give up free institutions in the Federal

Republic. We have no reason to believe that the Russians will give up their "socialist achievements" in the D.D.R.

The Eastern Frontier

AS if this were not enough, there is the question of the German Eastern frontier. The Russians in their draft treaty repeat their previous claims: the Federal Republic must follow the example of the D.D.R. and renounce all claims to German territories outside the present boundaries of the Federal Republic and the D.D.R. What is the Western position on this issue? The Western powers have agreed to support at a peace conference the Russian claim to the northern half of East Prussia, the area round Koenigsberg. As for the major portion of German eastern territories, those now under Polish administration, Western views have officially never gone beyond their statement of 1945: "Leave it to the peace treaty." If there are now to be negotiations about a peace treaty the matter will have to be settled.

It is safe to assume that the Western powers will be guided by the views of their German ally. Would the Germans of the Federal Republic be prepared to pay this price? We do not know. All we know is that public declarations by all parties and Gallup polls on this issue show that they would not. On the other hand, conversations with leading Germans indicate that their private attitude is less rigid than their public pronouncements. Like the Irish question in Britain before 1914, this issue bedevils German internal politics, forcing the leaders of the Government and of the Opposition into public postures which they may well regret in private. But the public declarations are on record. So are the many names of new streets in West German towns, commemorating Breslau and Danzig and East Prussia. One of Berlin's big public halls is named after that lost province. German schools and centres of adult education decorate their walls with pictures of these areas.

One must be fair in an analysis of this phenomenon. It may not necessarily express determined revisionism. It is so much easier both for central and local government to yield to the pressure of the refugee organizations who ask for this type of action, rather than to resist it without any electoral reward. Dr. Adenauer is under great pressure to do more about reunification. Imputations have been freely made doubting his interest in this issue and even his qualifications as a German patriot. A politician even less astute than Dr. Adenauer would not miss a chance of turning the tables on those who accuse him of not wanting reunification. He would re-establish his reputation as a patriot by simply bringing up the issue of the Oder-Neisse Line. This Dr. Adenauer has done.

Of course, it may be argued that this is the proper attitude to adopt before negotiations begin. Any public declarations that the Federal Republic is ready to give up the eastern territories would lower the value of such concession as a bargain counter during negotiations. And it may be that the West German Government and German public opinion would feel that reunification in freedom is worth the price of the Oder-Neisse Line, if the Russians were prepared for such a deal. In fact, there is no sign of Russian readiness to pay

anything for what they already firmly hold. Thus we are back again at the deadlock of interests.

While a settlement of the two issues of the Oder-Neisse Line and German reunification appears far away, it is nevertheless not too early for the West to be conscious of a clear danger which may arise in our relations with Western Germany. In the long run the West would pay dearly if it allowed itself to be manoeuvred into a position where everybody would believe that Western statesmen had put pressure on Germany to accept the Oder-Neisse Line. It is not at all unlikely that the German Government would not be displeased to have its hands forced. But the result in our future relations with Germany would be dangerous. It would not be long before German public opinion would take any benefits resulting from such renunciation for granted. Recent developments concerning the Krupp Empire are proof of this. Then the claim for the lost territories could be revived by one party or another, and there would be a ready-made argument for an anti-Western orientation in Germany. The West would be made out as false friends who have let Germany down, the Russians as a power who are in a position to restore Germany's lost lands—for a consideration. It is no good consoling ourselves that there are few Communists in Western Germany. Neither Rathenau nor Stresemann, neither General Seekt nor the Ruhr industrialists, neither Hitler nor Ribbentrop was a Communist. A decision on the eastern territories must be—and must be seen to be—a German decision. The West can point out with every justification that German unwillingness to renounce these territories may make reunification impossible. Further than that it would be unwise to go.

The Military Problem

THUS a consideration of the political issues involved in a peace treaty with Germany does not leave room for optimism. Hence many people feel that we should start with the military issues involved. Here is one overriding problem which not only affects Europe but is world wide: disarmament and the controls to enforce it. Here again no progress has been made despite the many attempts to get the East and West round a conference table. There used to be a time when the European Left put disarmament first, and when Dr. Adenauer and others who think like him insisted that there should be no disarmament agreement without a solution of the German problem. Today it is Dr. Adenauer who believes that the best chance for the world to remove tension and thus to come to a solution on European security is a general agreement on disarmament. This may well be true, but obviously there is no hope of an early success on this issue.

Thus people have turned to one particular aspect of disarmament, which has become known as disengagement. So much has been written about the problems involved in disengagement that it is unnecessary to deal with it here, even if space permitted. But there are a few issues which are often overlooked in disengagement discussions and which would appear to be of considerable importance.

There is first the question of neutralizing both halves of Germany or a reunited Germany. This the Russians have proposed in their draft peace treaty. We have nothing to be ashamed of in preferring a Germany closely linked with the West to a Germany which is militarily and politically neutral. Of course, the advantages of this link for the West would vanish once German public opinion decided to prefer neutrality. It would not be in the Western interest to hold an unwilling ally and it would certainly not be worth while to try and bribe him. We may have to face this question one day, but there is no sign so far of such a change in the German political climate. And it seems quite extraordinary for the West to push the Federal Republic into a neutrality which it does not want. N.A.T.O. at present relies much on West Germany's military contribution. Furthermore the lessons of recent history make it preferable that German armed strength should be well embedded in an allied framework rather than left to its own devices.

This still leaves the question of a thinning out of forces and of a restriction of atomic armaments, neither of which demands German neutrality; neither could in fact produce German reunification by itself, but they might contribute to an easing of tension which is desirable in itself and indirectly might help to solve the problem of German unity one day.

From a purely British point of view our main military interest in Western Germany is, to put it in a nutshell, the direct engagement of American troops on the continent of Europe. This direct engagement is worth a very heavy price, such as Sir Anthony Eden's long-term commitment of the British Army of the Rhine. Some people maintain that American military presence in Europe will soon not be required, since the Americans can play their part in the protection of Europe with long-range ballistic missiles fired from the United States. But we had much better not put the Americans into an awful *crise de conscience*. It is one thing to obtain American support if this can be given by the use of troops stationed in Europe. It is another to ask for their intervention by means which would be bound to bring a quick devastating reply from Russia on to the territory of the United States. Thus the question of thinning out the troops on both sides of the Iron Curtain and of how far we can safely go is essentially one for the Americans only.

American policy at the moment appears to be that it would be technically impossible to maintain American forces in Europe if a neutral belt became established. Americans often refer to N.A.T.O. and point out that the infrastructure programme of N.A.T.O. has so far cost more than £700 million and that a withdrawal of troops might well require a new infrastructure. Who would pay for that? Of course, if N.A.T.O. feels happy and thinks there is enough room for manoeuvre if Western troops came back from their present positions we might well use such withdrawal to obtain, if possible, Russian concessions. But, on the assumption that the over-riding British interest is the maintenance of American military presence in Europe, the width of the thinned out belt and even its very existence ought to be a function of N.A.T.O., which in this case really means of American strategic views.

Finally, there remains the proposal to create an atom-free zone. Judging by the enthusiasm with which many people in Germany welcome this idea

it is perhaps not superfluous to point out that "atom-free" means free from atom armaments; it cannot mean that such a zone will be free from becoming the target of atomic armaments in case of conflict. Furthermore, weapon development has now reached a stage when almost any conventional weapon bigger than a rifle can be used to fire atomic ammunition.

Nevertheless, it may be worth while for the West to offer not to arm German units with atomic equipment. This may be attractive to the Russians for obvious reasons. There is also much attraction in this idea for those in the West who feel that arming the Germans is riding on a tiger. Of course, German power to make trouble or to start a world war is only a shadow of what it was at the time of Hitler. The geographic, strategic, technological and economic changes in power relationships all point to a much diminished German potential for evil. Still, if some of the more gloomy prognostications made both inside and outside Germany were true there would be a great deal to be said for not providing the Germans with atomic equipment, the independent use of which would certainly enable them to set off a chain reaction which might draw everybody into a third world war against their will.

One need not share these gloomy prognostications to recognize that there are many Germans, good friends of liberty and of the West, who are today profoundly perturbed by some developments in the Federal Republic, which are not well publicized in Great Britain, and particularly by the personality of the present West German Minister of Defence, who is considered by some the most likely successor of Dr. Adenauer. In this connexion voices have even been raised in Germany objecting to any disengagement or thinning out which would mean a removal of British, American and French troops from the Federal Republic. These voices say that recent developments in the Federal Republic are so frightening that the maintenance of liberal institutions there had better be underpinned by the presence of Allied troops. To a detached outside observer such fears appear vastly exaggerated. But in fairness to those who once proved right about Hitler their views should not go unrecorded.

Still, if the Western governments came to the conclusion that thinning out of troops or even a neutral belt can be afforded from the point of view of Western strategy, it might well make a contribution to European security even if it would not help either Berlin or German reunification directly. But it is more than doubtful whether the Russians would accept anything less than American withdrawal from the continent of Europe, which for the reasons stated above we can never accept. This likely Russian reaction need not prevent us from making our offer but we should bear it in mind lest our hopes rise too high.

Such a scheme of thinning out or disengagement can be effective only if it were coupled with an efficient system of control. The experience of the inter-allied control commission in Germany after the First World War is not very encouraging. Against this it is possible to argue that the allied will to control grew weaker and weaker during the twenties, and that effective control might have been possible if it had been seriously intended. At least we can learn from this experience that a large corps of controllers would be required, and

it might be useful to test Russian reactions to such a controlling agency roaming at will in the territories of Russian satellites. Here is a further justification for: *ni peur ni espoir*. We should not be frightened of making a serious offer of such control, but we should not hope too much that it will be accepted.

PERSIA UNDER STRAIN

THE BAGHDAD PACT WITHOUT BAGHDAD

THE defection of Iraq from the "Baghdad" Pact compels a reassessment of the reality and usefulness of a political and economic alignment on which many hopes for Middle Eastern stability had been reposed. This defection means that the Asian members of this alliance all now belong to the Turco-Iranian part of the Muslim world, so different from that of Arabia. Here indeed we see an association in a Middle Eastern focus which has nothing to do with Arabs. To the many who view the Middle East entirely through Arab glasses this fact may open up a new vision of the forces which in the long run are likely to be decisive in this area. At the least it is time to look again, the more so because it is the Turco-Iranians, and not the Arabs, who are the immediate neighbours of Russia in this region. The picture takes on an even deeper interest when it is remembered that the Muslim civilization of Bokhara and Samarkand, now absorbed in the Russian colonialism of Central Asia, also once formed part of the Turco-Iranian world.

Persian civilization, under Achaemenian, Parthian and Sassanian dynasties, is more than a thousand years older than anything Arab or Islamic, and is moreover of a notable endurance. It is not surprising then that Islam, on its way to the Bosphorus, the Oxus and the Indus, should have passed through a Persian prism. Islam did indeed overcome and gradually submerge those northern lands but was unable to assimilate them; or it might be nearer the truth to say that the ancient influences radiating from Persia, not a desert civilization, turned the new thought into well-worn channels. For example, the Arabic language, though it spread to the Levant and all along North Africa to Spain, was not able to give to Turkey, Persia or northern India more than a script and a top-hammer of abstract notions, as did Latin to the tongues of northern Europe. In the result the culture of the Ottomans, the Safavis, and the Mughals was Persian, not Arab, and this distinction is not without its influence on the present day. "That is why the Baghdad Pact is the realization in terms of modern politics of an historical reality."* Except that it is now time to find another name for this alliance, the Iraqi defection gives greater force to that saying than it had when written two years ago.

It is worth remembering that the view on the Middle East in the days of the Raj was through these spectacles. Afghanistan too follows the Turco-Iranian inspiration, while the name of the Persian Gulf, though one shore be Arab, carries its own significance. And as we know, Persian influences are strong in the Gulf and even encourage the Persian Government to sustain an old and odd claim, dating from Nadir Shah's time, to the sovereignty of the Bahrein Islands. On the other hand, since 1947, Britain's approach to this whole region has been from the Mediterranean, and the view has been distorted by antagonisms following on the establishment of Israel. For this

* THE ROUND TABLE, June 1957.

reason in the Middle East the Arab States have absorbed most of the attention left over from other preoccupations of western minds. This is a perspective in need of correction. And it may best be corrected by concentration of thought on Persia itself, undoubtedly the cultural and geographical centre of the non-Arab sector of the Muslim world. If Persia were to fall out, the arch would have lost its keystone. How strong and how durable is that keystone?

The Setting

OLDER pre-Islamic influences apart, Persia, at least since Safavi times, has been out of the main stream of Islamic thought, which passed her by. The Persians are Shias. Shiism is a channel into which a part of the stream was directed many centuries ago, a channel not fed by the main current since that time. In that channel it has received a kind of seepage from older waters, issuing from a Persia that did not know Islam. The religion of the Shia is a more individual revelation, turned to a personal reverence for saints and mystics, and displaying an emotionalism which the orthodox Sunni regards as hysterical. The consciousness of the congregation is not for the Shia. As happens where churches are not sustained by congregational worship, two results are apparent. First, secularism has become powerful; for instance in Reza Shah's time it was impolitic to show religious fervour in public. Secondly, the extreme Shia maintains a very positive form of bigotry, highly charged with fanaticism. This emotion produces groups of initiates in esoteric intrigue, religious and political, for instance the Assassins of history and in modern times the Fedayan-i-Islam (Devotees of Islam) whose main weapon is political assassination. More than one of the Shah's ministers have fallen to the assassin in recent years, and in 1949 the Shah himself was attacked.

On the other hand, the wide sun-lit spaces and relatively genial climate of Persia make her inhabitants more pliant, subtle, and apt to compromise than the Arab, whether of city or desert. The Arab's life alternates between danger and ease; he knows no compromise. The uplands of Persia offer easier gradations, and there is room for the refinements of life, for art and poetry. It is the contrast between the Quran and Persian verse, between the Kaaba and the domes of Isfahan and Meshed. And the Persian language, though overlaid by Arabic abstractions as is ours by Latin, is of the Indo-European group and relatively easy for us in the West to master. There is some truth in the adage that "Persia is a Western State set down too far to the East, regarding the West with an amused tolerance and the Arabs with a measure of disdain".

Strategically Persia occupies a key position. To the north she has a frontier of some hundreds of miles with the U.S.S.R., both west and east of the Caspian Sea. To the south lies the whole northern littoral of the Persian Gulf, with the great Persian oilfields and their outlet to Abadan. In a word it is Persia that, above all States, stands between the U.S.S.R. and the vast oil resources round the Persian Gulf. The absorption, or even the neutralization, of Persia would give the U.S.S.R. access to warm water and develop a Soviet threat to the oilfields around the Gulf—not only to those in Persia.

The output of the Persian oilfields has already more than recovered from the set-back brought about by Mosaddeq's policies of 1951-53. Since the beginning of 1958 production has been running at a rate which is expected to give a total of over 40 million tons for the year, a record for this area, and comparing with the 60 million tons of Kuwait and the 50 million tons of Saudi Arabia. (Persia is now the third highest producer in the Middle East, Iraq production not having wholly recovered from the pipe-line breaches in Syria, or the revolution in Baghdad.) Apart from the southern oil-fields, now being worked by the Anglo-American-French-Dutch Consortium in relations with the National Iranian Oil Company, oil has been struck in the north near Qum, though in this region early hopes are not yet fulfilled. It is this Qum field which has been the subject of recent discussions initiated by the Shah for a pipe-line to Iskanderun in Turkey.

Internal Trends

HOW far can modern Persia be considered to be a land capable of sustaining the pressures of the immense forces which surround her on every side? In some sense she is one of the most vital, and most exposed, outposts of the Free World.

It is only a few years since, under Mosaddeq, the Persians compelled the closing of the British Embassy in Tehran, and under the emotional influence of a wave of nationalism almost succeeded in running their economy to a standstill. Even the Shah was compelled temporarily to quit his capital. That episode did not command confidence. And indeed there have been many occasions in history when the Persian governmental machine has broken down and all the prophets have foretold that it was about to go on the scrap-heap. Yet somehow it is always repaired and works again. What is the secret?

A foreigner visiting Persia today, and going beyond the capital, will gain an impression of disillusion and frustration. But, outweighing this, there is a memory of past glories and a messianic vision of the present as transitory, leading only to a revival of the splendours of the past. In that search it has on the whole been the tradition of Persia to support the government in power.

The real tensions are caused by a series of cleavages which have existed longer than Islam, cleavages between government and people, civil and military, town and country, capital and provinces, settled and nomadic. Other and newer problems have resulted from contact with the West and have helped in weakening the old political and social system. Yet the old system remains strong. The fundamental problem in Persia is political and not economic, and concerns the failure hitherto to solve the question of the nature of political power. It is this which causes a series of oscillations between absolutism, inherited from the King of Kings, and representative government, nominally introduced under the Constitutional Revolution of 1906. Underlying the conflict, which is at times concealed by the outward forms under which despotism pursues its aims, and at others by Russian or Western intervention, is a perennial tension between the desire for stability and the messianic tendency.

Under the old system Church and State were one. The monarch was regarded as the Shadow of God upon earth, to whom absolute obedience was due. Many Persians thought that the adoption of a parliamentary façade in 1906 would change all that and confer on them the benefits apparent in Western forms of government. What happened in fact was a not always rhythmic swinging of the pendulum between one system and another.

Mosaddeq's premiership represented in origin an oscillation away from absolute government. His failure, paradoxically enough, was largely due to the fact that he himself succumbed to the temptation of absolute rule. The result has been a return under the Shah to the practice, if not the theory, of absolutism. The strength of the old tradition can be clearly seen in the present life of the political parties in the Mejlis—Mardum (People's Party) for the Government and Mellian (Nationalists) for the Opposition—both of which are really "official", with the Opposition led by a member of the Shah's entourage who meets the Prime Minister once a week, without any open difference of opinion. In the field of trade unionism, as a counter to unions with leftish tendencies, the Government formed official unions, without independence. It is common knowledge that the members of the Mejlis owe their seats to the Government, and that the elections are rigged. The Shah's more recent diversion, the holding of press conferences confined to Persian journalists only, suggests a calculation that admission to the presence of the Great King may be made to conform with advantage to the latest fashions.

One grouping, outside the official Government and Opposition parties, remains to be mentioned, the Tudeh. This was originally a genuine labour movement native to Persia, but taken over and exploited by the Soviets during the Russian occupation of the north in 1941-46. The difference between the Tudeh and the other parties is that it has a leavening of Russian-trained leaders, and is in contact with international Communism. It was proscribed in 1949 after the attempt on the Shah's life, and officially it is put about that the Government's agencies have been very successful in tracking down and rooting out such of its leaders as have remained in Persia. But a secret, authoritarian, organization of the kind is much less foreign to Persian tradition than the official political parties modelled on Western ideas, and it is safer to believe that the Tudeh has gone underground to await the occasion.

The Shahinshah

IT has been remarked that Persia is at the moment undergoing a reversion to absolutism, a state of affairs which should connote a person, or persons, far-sighted, able and ruthless enough to act as the absolute authority. During the reign of Reza Shah, father of the present ruler, no Persian, and no foreigner who knew Persia, doubted that he possessed the qualities needed for this rôle. It is now the general impression among those privileged to be admitted to the presence at Tehran that the present Shah, though late in developing owing to the enormous respect he had for his father—inducing in himself the psychology of deference—has since the overthrow of Mosaddeq succeeded in acquiring a most remarkable political sense. It is said that he

has a genius for so adjusting the supports and stresses of the Persian social and governmental structure as to remain securely at its apex.

On this point it is permissible to express some doubt. The Shah has good looks, an address of much charm, and is widely admitted, even by his critics, to be a genuine patriot. He is highly intelligent, with a remarkable memory, has the gift of tongues, and is above all distinguished for the plausibility which is so disarming to people who do not know Persians. Finally, the undoubted Persian respect for authoritarian monarchy provides conditions which should render relatively easy the exercise of absolute powers.

But the present writer believes that it is something subtler than the personality of this ruler that provides the driving force in modern Persia. For the real strength of the structure we must look elsewhere. But where does power reside?

This is the current puzzle of Persian politics. The obvious answer would be that the prime mover is to be sought in the higher ranks of the Army, and in support of this may be cited the part played by General Zahedi in the suppression of the Mosaddeq régime and the restoration of the Shah. But Zahedi is now relegated to Geneva, whence, however great his circumspection, he can scarcely exercise the powers behind the throne. (In view of recent events in Iraq and Pakistan, this reflection is reassuring). A more penetrating analysis might be that real power resides in a close group of leading families whose names are at present little known outside Tehran. But this is only part of the truth, for it cannot be said that the Palace officials or politicians in the Persia of today are distinguished for their effectiveness. The real answer must go deeper, and is to be connected with the remarkable character of the Persians, and the age and persistence of their civilization going back to a remote and glorious past. Inherent in this tradition are two features, first, a very deep respect for monarchy as an institution, and secondly, a curious spiritual resilience and staying-power on the part of the Persians when driven to the wall. An instance of the former quality was the sudden demonstration in favour of Ahmad Mirza, the last Qajar, when Reza Khan was playing with the idea of creating a republic. And the second feature appears from the many occasions during the last fifty years when Persia has been pulled back from the brink of disaster. On each occasion there was someone to do the pulling—Taqizadeh in 1906, Ziauddin and Reza Khan in 1921, Said in 1944, Qavam-as-Sultaneh in 1946 and Zahedi in 1953. The occasion has produced the man.

The conclusion then might be that the real source of power resides in the nerve and subtlety of a ruling class nurtured in the pride of a great civilization. The present Shah's gift may lie in his realization of these qualities, and the capacity to utilize them as required. A recent instance is to be found in the complete outwitting of the Russians over the abortive oil agreement of 1946. Persia would not be Persia if it could not still produce a Vizier with resources of wit and manoeuvre sufficient to confuse the barbarians of the outer world. It may be added that a large part of the subtlety employed consists in playing off the great powers against one another, and that this manoeuvre in itself has done much to keep Persia afloat.

Here then we may expect to find the hidden talents able to maintain respect for an attractive ruler, not obviously in himself possessed of commanding force but the inheritor of the throne of the King of Kings. This is a picture which fits the events of Mosaddeq's downfall and the Shah's restoration to power. The monarch had to flee his capital; the Persians who calculated that Mosaddeq had had enough rope if Persia were to survive acted in his absence; Mosaddeq was arrested and his followers dispersed; the Shah returned to adorn the apex. Another swing of the pendulum had occurred.

If it be pressed that the unreal façade of parliamentary government, with all its shams and absurdities, in itself presents dangers which have proved real enough in Iraq and in Pakistan, the answer would be that those two States, lacking the age-old native Persian tradition of governance, were hampered by misconceived notions of synthesis with the British system—a garment which constrained without adorning the wearer. The Persian pattern of oscillation may well be safer, and the fact that Persia has yet to complete her transition from a medieval to a modern form of government may even prove in the end her salvation.

Soviet Pressures

FOR over a century Persia has lived under the shadow of Russia. In modern times—that is since the Russian Revolution of 1917—she made an unequal treaty with the Soviets in 1921, another in 1927, and suffered occupation of her northern territories by the Russians, and of the south by ourselves, in World War II. Soviet control of the Tudeh has been mentioned, while Soviet opposition to Persia's entry into the "Baghdad" Pact is notorious. The Russo-Persian Treaty of 1921 gave Russia the right to station forces in Persia in certain circumstances (though this right was specifically circumscribed by an exchange of letters which allowed of the operation of the sanction only if pro-Tsarist movements were shown to be undertaken on Persian soil); the relevant portion of Article II 3 of the 1927 Treaty reads as follows:

Chacune des parties contractantes s'engage à ne prendre part ni en fait ni en droit à des alliances ou accords d'ordre politique qui seraient dirigés contre la sécurité du territoire ou des eaux de l'autre partie contractante, de même que contre son intégrité, son indépendance ou sa souveraineté.

The Soviet Government has assailed Persia with the charge that her membership of the "Baghdad" Pact contravenes this article, and might attract the sanction of the 1921 Treaty. Persia's reaction to the latest Russian *démarche* was so refreshingly direct that it deserves to be quoted in full:*

The Persian Government considers the Soviet note totally unjustifiable and irrelevant. While the Persian Government intends to continue to observe the provisions of the treaty of 1927, Soviet breaches of the same obligations are too embarrassingly numerous and flagrant to mention. The Persian Government preserves the right to enter any defensive agreements, and will not tolerate Soviet or any other foreign interference in Persian affairs; nor does the Persian Government consider the Soviet Government competent to express views on

* *The Times*, Nov. 10, 1958.

whether or not Persia needs defence pacts. The Persian Government desires cordial relations with the U.S.S.R., but always and inevitably subject to the supreme and over-riding consideration of Persian independence and sovereignty.

In these proud words we can hear again the accents of Khusrau Anushirvan addressed to the Byzantine envoys of Justinian.

There is some difference of opinion about Russia's objectives in Persia. Some think she is obsessed with the idea of introducing "international Communism", and that the old aims of Tsarist policy have been abandoned. It is more likely, and in accord with observation, that, although Communism is being used as a means to an end, it is not the end in itself. Molotov's conversations with Ribbentrop in 1940 will not be forgotten; "the centre of Soviet aspirations lies southward from Baku in the direction of the Persian Gulf". There is no reason to suppose that the Russians have changed their long-term policy in the Middle East, aimed at the establishment of Russian influence in the Mediterranean and the Persian Gulf. These objectives cannot be secured without doing away with the independence of Turkey and Persia, or by completely neutralizing them. The urge to persist in this traditional aim is strengthened by the lure of oil. Turkey up to the present they regard as a nut too hard to crack; in Persia conditions at the end of the war seemed to give them their chance. For during that war the Soviets were able not only to obtain a respectable introduction to the Middle East as a whole, but once again to establish in North Persia those military forces which Russia has always considered necessary for the implementation of her policies in that quarter. And not only that: the Russians took over the Tudeh Party and embarked on a plan of subversion designed to do away with the independence of Persia. This plan included the Sovietization and separation of Persian Azerbaijan, the creation of chaos in the oil-fields, and the establishment of a puppet government in Tehran.

But the Russians had underestimated both the astuteness of the Persian Prime Minister, Qavam-as-Sultaneh, and the volatility of the Persian people under pressure. The year 1946 saw one of those swings of the pendulum to which reference has been made. In July of that year Azerbaijan was virtually cut off from the central government, Tehran and most of the northern cities were brave with Soviet flags, the Tudeh was everywhere jubilant, the Persian press was violently anti-West and pro-Soviet, and serious strikes broke out on the oil-fields. Five months later the Russian name was mud, the separatist movements in Azerbaijan and among the Kurds had been crushed, and the Persians were all smiles for the British and Americans. In this result the influence of the United Nations had some part, and a sudden realization by Stalin that Britain and America would not tolerate Soviet penetration to the Gulf had influence also. But there is no doubt that the outcome was to a large extent determined by the subtle statecraft of Persia's own leaders at the time. At every point Qavam made rings round his Soviet opponents.

Mention of the Kurds opens up a very real weakness at the heart of the Turco-Iranian world. Of Iranian descent themselves, the Kurdish tribes are divided between the jurisdictions of Turkey, Persia and Iraq; there are also a few in Syria. Since the middle of World War II it has been Soviet policy to

play on Kurdish nationalism, a favourite Soviet technique in Asia being to work up the discontents of minorities. The Persian Kurd, Qazi Muhammed, the Iraqi Kurd, Mulla Mustafa, and others were financed, and separatism was encouraged. The game continues, and effective counter-measures call for the closest co-operation between the three countries with Kurdish subjects, a co-operation for which the "Baghdad" alignment offered good opportunities. Iraq's defection renders both Persia and Turkey more vulnerable in a difficult quarter. A wary eye is needed here. For the establishment by the Soviets, under cover perhaps of a feint at Berlin, of an autonomous Kurdistan on the lines of the abortive 1946 policy would inevitably introduce the Red Army into Azerbaijan, give Russia an uninterrupted land-line to Baghdad, and set her astride the Free World's oil reserves. It might also lead to the collapse of Persia and with Persia of the whole defensive arch.

There is ample evidence in Soviet publications that the Russians are aware they muddled their policy in Persia after the war. A significant point is that in the All-Union Conference of Orientalists at Tashkent in 1957, held with the main object of organizing a cultural campaign against "imperialism" in the Middle East and South Asia, there was abundant mention of all the Arab countries, of Afghanistan and of India, but hardly a word about Persia, Turkey or Pakistan. Persia too, but for rather different reasons, the Russians seem to regard as at the moment a nut too hard to crack.

But although from time to time Russia may slacken her direct efforts against Persia—the latest advices are that she is beginning to tighten up the slack—she will renew them. Russia's inner counsels are revealed by the fact that Soviet broadcasting to Persia is on a scale four times as intensive as that directed to any Arab state. And, although the long Perso-Russian frontier is closed, there is always the possibility of infiltration by means of the publications of the Tudeh and other subversive groups in Persia. Finally it would be a mistake to suppose that the Persian people are so convinced of the iniquity of Russia, and so delighted with their own government, that they would resist any new Soviet campaign of threat or blandishment. As a Persian would see it, his country has no particular reason to rely either on his own rulers or on the West.

Conclusion

WE have a picture of a very ancient country, a people of great subtlety and remarkable recuperative power, a society defaced by many fissures and weaknesses, a conglomerate, full of flaws, yet selected by history and by contemporary needs as the keystone of an arch. And on this arch, by reason of oil and geography, the structure of the Free World's economy depends. For, oil apart, if the Russians reached the Indian Ocean, the Free World would be cleft in twain. Can we expect the Persian system to survive pressures such as those which have lately overtaken Iraq and, still more significantly, Pakistan? Will Persia be able to maintain the Baghdad Pact without Baghdad?

Perhaps the most positive step that could be taken by the West in that direction would be through the recognition in perspective of the far

greater importance of Persia and the Turco-Iranian world as a whole in the scale of international values as compared with Egypt or any part of Arabia. The instrument to that end is ready to hand in the Pact, which has already given the member-states a novel view of one another's problems. For the first time in history the heads of these states are meeting in regular conclave, getting to know one another and deriving confidence from defence and economic planning which leaves them at least with the assurance that they do not stand alone. There can be doubt that the shrewdness of Persian statecraft can make a significant contribution to a treaty which, lacking Persia, would be emptied of value. It may even be that ill-judged moves such as that for the establishment of military dictatorship in Pakistan may be retrieved under advice from more mature counsellors in Tehran and Ankara. The Pact is seen by Persians as the natural development of the Saadabad Agreement inaugurated by Reza Shah and Atatürk in 1937, and offers a regional stage on which suspicions may be disarmed and traditional pride find a place. Much too could be done under this aegis to establish a cultural front on which the Turco-Iranian world could meet the cultural offensive launched by the Soviets from Tashkent. Few are aware of the intensive and remarkable efforts which are being undertaken in the field of Soviet *orientalia*.

Apart altogether from governmental action it remains true that Persians are receptive to an understanding approach from which they see themselves also as deriving advantage, whether material or in less tangible ways. For an oriental language Persian is easy to learn, much easier than Arabic. One of the most important things in Persia is personal relationships—a matter of concern to traders. Those going to Persia should be acceptable to the people of the country if they are to win respect. To this end it is to be remembered that in the academic field the heritage of Persian literature and art is unsurpassed throughout the East. Incidentally, an insight into Persian history, art and literature is a good passport to Pakistan, Afghanistan, and even to Turkey and Iraq.

This arch, with its keystone, is again about to be subjected to the severest strains. It is for the West, if necessary leaving other preoccupations aside, to concentrate all effort to sustain and shore it up.

FRANCE AND THE FREE TRADE AREA

ITS RELATION TO THE COMMON MARKET

THE European Economic Community, the official title adopted by the Common Market, celebrated its first anniversary on January 1. The event has been important and encouraging both for the members of the new community and for all those who have rallied behind and striven to make a reality of the idea of a united, strong and wealthy Europe, exercising her rightful and traditional influence in the cause of freedom and liberty. But it is not only to the idealists and visionaries that the steps towards economic and political integration, however limited they may be, have been and will be welcome. Political realists, proponents of free trade and advocates of rapid economic expansion all favour the new venture and wish it speedy and unqualified success. Closer association between European countries will inevitably assist in removing frictions and disagreements of the kind that in the past touched off two world wars. The creation of a cohesive and influential association of Western nations cannot but reduce the danger, both of another conflict on a world scale, and of bloodless victory by a creed alien to those believing in the traditional European values of intellectual, social and economic freedom. The removal of obstacles to trade will not only render this political integration much easier, but help to eradicate extremes of poverty and speed the raising of living standards and the accumulation of social and productive capital.

The rejoicing, however, is not unqualified. The problem of associating Great Britain and other European countries with the new community remains still unresolved, despite the long-drawn-out negotiations which have been going on intermittently ever since the Common Market proposals were published in March 1957. It will be recalled that, soon after the Spaak report which recommended the drawing up of the Treaty, O.E.E.C. suggested setting up an associated Free Trade Area, and commissioned a study of the subject. The object of a wider association than the Common Market itself was to enable the dynamic stimulus to growth and rationalization resulting from the dismantling of tariff barriers to spread to all the Western European countries, and to enable participant countries outside the Common Market to take part in the freeing of trade while nevertheless standing aside from political aspects of the new community, to which it was known they could not fully subscribe. In particular, the United Kingdom wished to avoid having to choose between the Common Market and her own association with the Commonwealth, a system whose political importance to the world has been profound. Examination of the proposals for a Free Trade Area by a special O.E.E.C. working party, which reported in December 1956, led to the conclusion that they were practicable. Subsequently technical discussions

took place in and under the auspices of the O.E.E.C. in February 1957, but they never advanced very far. The reason for procrastination at that time was the request by some members of the new community for detailed negotiations to be delayed so that the Common Market Treaty could first be signed and then ratified. It was feared that the prospects of having to face competition from an ever wider circle of countries than those originally envisaged would prove more than the French public, in particular, could stomach for the time being.

The Treaty was signed in March 1957 and ratification was duly secured by July of the same year. It was October 1957, however, before a formal attempt was possible to work out the details of a link between the Common Market countries and the rest of Europe. On the basis of the study prepared by its experts, the O.E.E.C. Council then gave its blessing to the project of a wider Free Trade Area, and a special ministerial committee was set up to carry out the negotiations, with Mr. Reginald Maudling* as its chairman. The Maudling committee got down to work with vigour and enthusiasm. As time went on, however, the gulf separating the points of view of the various parties became more and more apparent. These came out into the open when the French submitted a critical memorandum to the Council of O.E.E.C. Attempts to bridge the gap were made, but were rendered difficult, first by failure of the Common Market countries to agree on a uniform policy amongst themselves, and secondly by the prolonged political crisis in France. Despite various concessions made to the demands of the French, the negotiations proved unfruitful. The talks were suspended when on November 14 the French Minister of Information, M. Soustelle, declared that a Free Trade Area as envisaged by Great Britain was unacceptable. Further talks under the auspices of O.E.E.C. took place in December, but led to no results.

On January 1, 1959, the process of dismantling tariffs and quotas between members of the Common Market was begun. As an interim measure the Common Market countries agreed to extend their own tariff reductions unilaterally to all member countries of G.A.T.T. (the General Agreement on Trade and Tariffs) and to increase import quotas between themselves and other O.E.E.C. countries on a reciprocal basis. Owing to a special rule operative for reductions of quota between Common Market countries, but not applicable to reductions to be negotiated between these countries and the rest of Europe, quotas within the Common Market area will in fact be increased by more than the comparable quotas can possibly be increased between Common Market countries and other O.E.E.C. members. A discriminatory trend as between the Common Market area and the rest of Europe has therefore already set in.

The Stumbling Blocks

THERE are three matters of principle, it would seem, standing in the way of any agreement to extend the area of free trade beyond the confines of the Common Market. Over and above this, there appears to be a

* Mr. Maudling is Paymaster General in the United Kingdom. This is a sinecure office in the Government but outside the Cabinet, which leaves its holder free to undertake any public duties that the Prime Minister may from time to time assign to him.—*Editor*.

further stumbling block, which is not so much a matter of principle as a question of crude bargaining about the price at which concessions real or imaginary are to be bought.

Two of the matters of principle involve problems of economic substance, while the third is political in form if not in its ultimate implications.

In the first place, despite the report of O.E.E.C. committee that no insuperable practical problems stood in the way of certifying the origin of, and percentage of imported materials in, goods destined for Common Market countries from an outer Free Trade Area, objection is still taken to the desire of prospective members of the latter to fix their own tariffs against the outside world. The point at issue here in fact goes far beyond the mere preventing of goods from slipping through into the Common Market countries *via* any country in the surrounding Free Trade Area which happened to have a lower rate of external duty than that common to the Six. The majority of European manufactures contain imported materials in some degree, or materials where it would be difficult or impossible to distinguish between imports and domestic manufactures; a case in point is finished cotton goods, which must contain imported cotton and may contain imported yarn, grey cloth or cloth finished and dyed. Free Trade would be almost meaningless if it excluded articles with an imported content; but if such content bears a different rate of duty according to which country in a Free Trade Area imports it from outside, two problems arise. The first is the possibility of outright evasion of duty by claiming local origin (or substantial manufacture) for an article imported from the outside world into a low-duty country within the area of free trade. The second problem is that of defining the percentage of local manufactured cost which will qualify an article for free movement within the Free Trade Area. Too stringent a requirement would both encourage evasion and cut down undesirably the whole freedom of movement and competition from which the benefits of free trade flow; but the more lenient the treatment, the greater the danger that a tariff agreed amongst the Common Market countries might be frustrated by imports of raw materials or semi-manufactures through a low-duty country in the outer Free Trade Area, these being given a minimum of local additions before being passed duty-free into the Common Market. Thus, a low rate of duty on imports of grey cloth into Lancashire from India might frustrate a tariff designed to protect the cloth-finishing trades in the Common Market, and "artificially" stimulate finishing industries in the United Kingdom. Similarly, low duties on automobile components in Denmark might frustrate a Common Market protective duty against finished vehicles from the dollar area, and encourage "artificially" an automobile assembly industry in Denmark.

This difficulty is perfectly genuine, and almost insuperable if one assumes Machiavellian intentions amongst the other partners in a Free Trade Area, but less menacing if there is goodwill and mutual agreement as to objectives. But even in the latter event there is obviously room for genuine disagreement, for administrative failures to prevent evasion and abuse, and for situations to arise where delay in diagnosis may result in *faits accomplis* whose subsequent undoing would cause hardship and loss. The French go all the way

in arguing that in practice a common tariff against the external world is a logical necessity for a Free Trade Area, and are apparently not prepared to compromise to a significant extent. Their partners in the Common Market feel less strongly on this matter, but certainly have their own misgivings.

The second economic stumbling block arises from French insistence on mutual "harmonization" of wage structures, social security and other measures. Of the various points involved, crucial disagreement now appears to be confined principally to the question of equal pay for men and women. The French argue that if women in Great Britain and other prospective members of the Free Trade Area are paid a lower wage than men for the same work, while in the Common Market countries both are paid the same, industries in France where women employees predominate will be unable to compete under free-trade conditions with similar industries where women are relatively underpaid. The resulting tendency for the latter to expand at the expense of their French counterparts would be regarded as a "distortion" not to be countenanced. It could with every justice be argued that this argument cuts both ways, since in such conditions French industries employing a predominance of men would be correspondingly favoured. The relative benefit in the latter case, however, would be spread thin over the bulk of industry while the relative disadvantage would be concentrated on a small number of industries such as textiles. Given the long transitional period before obstacles to trade within the Free Trade Area finally disappeared, it might seem that the matter was of minor significance. To the French, however—faced as they are with the more widespread disturbance to the existing pattern of industry than other members in the Common Market—the prospect of any such addition to the pressures forcing existing industries out of business is naturally unwelcome. How would Coventry feel about a Free Trade Area if a social convention decreed that automobile assembly workers in France and Germany should be paid £2 a week less than workers of comparable skill in other French and German industries? The point involved has a good deal more substance than most of those comprised under the headings of "harmonization".

Distortion of Trade

BOTH the first and second stumbling blocks mentioned above are concerned with "distortions" of trade, a problem which has many aspects. One can, of course, point out that the mere fact that the Common Market will have a tariff barrier against the outside world, with high duties on some articles and low duties on others, means that the location of industry within the area will to some extent be artificial. But the essence of the European Economic Community, at any rate in the eyes of those taking part in it, is that whatever economic forces are at work (distorting or not) shall at least operate impartially between one member of the Community and another. The French have stuck with dogged logic to this principle; it is hard not to sympathize with their attitude, though it becomes irritating when apparently

applied impartially to matters that could affect whole industries and others where the effect is likely to be quite unsubstantial.

Although on the whole one suspects undue preoccupation with small orders of magnitude, too little attention appears to have been given in public discussion to two particular ways in which the British system of Imperial Preference could discriminate powerfully against Common Market countries if the Free Trade Area came into being. The most important of these is the effect that preferential access to Commonwealth markets could have on the direction of investment in the Free Trade Area. If Great Britain were also inside this barrier, American manufacturers would have an obvious incentive to site their plants in the United Kingdom rather than on the European Continent, in order to gain preferential treatment for exports to the British Commonwealth. The same considerations might influence European manufacturers in many cases. Secondly, even where the question of the location of entirely new plants did not arise, preferential access to Commonwealth markets might at least in theory favour British manufacturers unduly in competition within Europe in certain cases, namely wherever the scale of operations is an important factor in lowering costs of production. In terms of orders of magnitude, however, neither of these considerations is so important as might appear at first sight.

So far as economies of scale are concerned, it is not easy to think of any cases of importance where Europe does not already offer a market big enough to achieve these in full. In the long run, Commonwealth countries are likely to become increasingly protectionist, establishing their own domestic industries to compete with imports from any and every quarter. It is only for certain manufactured goods in certain Commonwealth countries that the preferred market is of important size. Finally, in terms of capital investment as a whole the overwhelming bulk of Europe's financial requirements is and will continue to be provided internally. Just how much the internal pattern of investment as between Great Britain and continental Europe might be influenced by the existence of Imperial Preference is obviously uncertain; but it is in fact not likely to be very great. In practice this matter is surely one to be taken into account in a bargaining process rather than used as a pretext for objecting to concluding an agreement at all.

The third major point of principle on which negotiations have failed to draw the parties within sight of agreement concerns the institutional framework and procedure within which decisions regarding the Free Trade Area would be taken. The controlling bodies of the Common Market are intended to possess a high degree of supra-national power and are a deliberate first step towards complete political and economic integration amongst the Six. For a variety of reasons cession of national jurisdiction to this extent is not acceptable to most of the prospective members of a wider European Free Trade Area. Within limits, however, these countries—including Great Britain—would be prepared to accept majority decisions in matters falling within the province of the Free Trade Area. With what appears to be a most un-Gallic lack of logic, the French insist on a "unanimity" rule in this respect, which is the antithesis of that applying to decisions within the administrative

organs of the Common Market. In effect, they demand a right of veto which would ensure that their own assumed interests would prevail in matters of dispute arising in connexion with the Free Trade Area.

The final stumbling block, which may turn out to be the most difficult of all to surmount, hardly seems to be a matter of principle. The French, with some support from their partners, argue that the benefit the United Kingdom would obtain as a result of freedom of access to the markets of the European Economic Community for her manufactured goods far outweighs any benefit the latter would gain from access to the much smaller United Kingdom market for similar products. (The same argument, of course, would seem to apply with even greater force to the smaller European countries wishing to join the proposed Free Trade Area; but for practical purposes this is not of importance.) The view is taken that this disparity calls for remedy in the form of counterbalancing concessions, such as access to markets in the British Commonwealth on the same preferential basis as that enjoyed by the United Kingdom, and special treatment for Common Market exports of agricultural produce to the United Kingdom. (The United Kingdom has stipulated from the beginning of negotiations that food, feeding stuffs, drink and tobacco should be excluded from the goods in which there should be free trade, since in the absence of agricultural tariffs against Europe the whole system of Imperial Preference would break down.) The French are not disposed, however, to give up (or share with British colonies and Dominions) the protected market for raw materials and foodstuffs which the French colonies will enjoy in the Common Market as part of the price exacted by the French for adherence to the Treaty of Rome.

The Attitude of France

IN view of the number and variety of the objections raised by France to the Free Trade Area proposals, one inevitably wonders whether all are genuine and reasonable. Not unnaturally, many serious observers suspect that there is a basic unwillingness to see the British proposals come to fruition. The fact that France's partners in the Common Market would apparently have compromised already on matters that the French declare to be totally unacceptable and fundamentally at variance with the whole concept of the European Economic Community naturally suggests wilful obstruction on the part of France.

It would, however, be a gross over-simplification to take the view that "the French, as usual, are being difficult". The French, as it happens, are in a genuinely difficult position. The bulk of French industry has worked for many decades behind a high barrier of tariffs reinforced by import quotas. While some sections, particularly in the engineering and chemical fields, are efficient by any European standard there is a wide field of industry, and which would have disappeared or been forced into drastic modernization long ago but for excessive protection. France, in consequence, faces far greater changes in its industrial structure than any other member of the Common Market. Many of these changes will be extremely painful, despite the length of the transitional period before the full blast of untempered competition from

Germany, the Low Countries and Italy has to be met. In seeking to persuade France that this competition should be reinforced by a flood of duty-free manufactures from the United Kingdom, one is almost suggesting blandly that the right treatment for a raw wound is to twist a knife in it. However strong the argument may be that the ultimate state of European health in general and French health in particular will be improved by a double operation, one can hardly be surprised if the patient rebels in the first instance, or at least seeks to gain time by arguing while making up his mind. Furthermore, having only been persuaded to accept the first operation by promises of a liberal dose of anaesthetics, such as development grants, escape clauses and rights of veto, France could hardly be expected to stomach further surgical treatment without making a similar bid for anaesthetics and special inducements, such as access to Commonwealth markets.

The analogy may be pursued a little further. By objecting to differential tariffs against the outside world in Free Trade Area countries outside the Common Market, and by digging in her toes in the matter of equal pay for men and women, France is in effect saying: "It would be bad enough if you proposed operating on me with a clean knife; but this one has ragged edges." Who shall blame her?

There are, one suspects, other cross-currents disturbing the smooth flow of negotiations. Thus, although the idea of a wide Free Trade Area associated with the Common Market was first aired officially—and, indeed, given a formal blessing—by the General Council of O.E.E.C., the actual proposals for giving substance to the idea were put forward at a later date by the United Kingdom. From the start, these were regarded with suspicion and even open hostility by sections of the French press; to say the least, the instinctive reaction was: "Hey, who are you pushing?" This attitude remains, and the course of both war-time and post-war relations between Great Britain and Charles de Gaulle suggests that no Frenchman alive today reacts more violently against the suspicion that he is "being pushed" than the new head of the French State. De Gaulle is a leader who resents being led, and one suspects that the vision which men of the Fourth Republic such as Jean Monnet had of France and Germany advancing hand in hand towards a United Europe is a little foreign to de Gaulle's mind. The new vision, one feels, is of France leading Europe—even, if necessary, from the rear—and accords ill with what many Frenchmen feel to be a crude attempt by the United Kingdom to "muscle in" on a salesman's paradise in the Common Market on her own terms. The average Frenchman is too preoccupied with his own immediate problems of meeting the impact of competition from the remainder of the Six to give thought to the economic and political consequences of splitting Europe into separate trading *blocs*. Albion is still in his eyes more likely to be perfidious and self-seeking than disinterested and far-sighted on Europe's behalf. Even if de Gaulle and his more sober advisers appreciate the wider significance of the Free Trade Area proposals, the way he plays his hand must have some relation to the political climate of his own country.

Finally, there is a difficulty that rarely fails to encumber the course of negotiations between France and the United Kingdom, no matter what the

subject. There is often a deep gulf between a Frenchman thinking in his own language and a Britain thinking in his, for something more than mere linguistic differences is involved. The mental processes of the Frenchman, and the emotions that colour them, can be as foreign to the Anglo-Saxon as those of the Southern Irish. This remoteness, as it were, of French thinking is often apparent in the field of economics. French economic thought has developed an idiom of its own, a substratum of hidden assumption, and a body of tacitly accepted theory which often renders French exposition of an economic problem intensely puzzling to economists elsewhere. When minds cannot meet because in the deepest sense they are not "talking the same language", negotiations are bound to meet with exceptional difficulties and frustrations.

An example of the kind of difficulty involved may be given from the non-economic sphere. The French apparently consider it a valid supporting objection to the whole Free Trade Area proposal that if it went through the Common Market would lose its *originalité*. This word has an almost religious meaning of its own to a Frenchman, as of some quality existing in its own right. It is not "originality" or "uniqueness". To describe it as "the attribute of being itself and not something else" is scarcely intelligible to an Englishman. The Englishman would in a sense begin to understand what the Frenchman was driving at if the latter described the Free Trade Area as a "bastardized" or "watered down" version of the Common Market, which is near to the implication of the Frenchman's objection; but this would still leave the Englishman puzzled about the latter's obvious belief in the self-evident force of the criticism.

Shadow and Substance

FRANCE's partners in the Common Market have made it clear that to hold the Common Market together they will in the last resort abandon the Free Trade Area to whatever fate is meted out to it by the French. They are prepared to reason and plead with France behind the scenes, but they will not break with her openly however much they disagree with her attitude. The tangled web of Franco-British cross purposes, therefore, is now the vital element in the situation. If the Free Trade Area proposals founder, they will do so on the rock of French resistance. If France and Britain can compromise on the issues that now divide them, it is unlikely that Scandinavia, Switzerland and Austria will fail to accommodate their own special requirements to the Franco-British framework.

In assessing the prospects that accord will eventually be reached, one must obviously distinguish between substance and shadow in the catalogue of issues on which the French and the British disagree. How many of the French objections raise fundamental issues, and of these how many nevertheless offer possibilities of negotiated solutions? Are there not instances where the French, having decided in general to dig in their toes, have merely thrown in additional objections for good measure? To what extent are the French merely trying to repeat their success in driving a hard bargain with their fellows in the Common Market, and if so what is the lowest price for which they will ultimately settle? How much of the French attitude derives from

nameless fears rather than solid dangers? Above all, have the French any genuine desire to reach a settlement, or does their long catalogue of objections merely indicate a basic unwillingness to see any widening at all in the area of competition within Europe?

Let us take the last matter first. On November 17, 1958, Mr. Maudling in advising Parliament that discussions within O.E.E.C. had been broken off for the time being stated that the announcement of the French Government to the press on November 14 seemed to have brought into question the whole basis on which the Inter-Governmental Committee had been operating, namely the unanimous determination of all governments to secure the establishment of a free trade area. This seems to be as near as diplomatic language can go to the statement that France has no intention whatsoever of reaching an agreement. Until the counter-proposals promised by the French are received, however, it would seem most unwise to make any such assumption; it seems probable that even the French themselves are in two minds on this point, and may remain so for some time to come. As we have seen, there is in fact a good deal of solid substance in certain of the French objections to the Free Trade Area proposals. So far as the basic economic issues are concerned it is impossible to say that the British are right and the French are wrong. Fortunately, moreover, there still seems to be room for major concessions by the British where the "harmonization" proposals are concerned, and the difficulties connected with origin of goods and differential tariff barriers could be greatly narrowed down by further negotiations if the will to do so could be revived. In other words, some of the French objections, however defensible in principle, are unimportant in practical order of magnitude; they can and will be withdrawn or compromised if everything else is right. The disagreement about institutional frameworks and voting rights certainly falls into this category.

It may be surmised that in practice the future of the Free Trade Area will now revolve round two basic matters, one sordid and the other quite intangible. The new French proposals may be expected to bring into the open the maximum (or "asking") price for which France is bargaining on behalf of herself and her Common Market associates, and it will be stiff. Her tactics in this respect are likely to resemble those she adopted so successfully towards the close of the negotiations on a Common Market treaty. A demand for access by Europe to the markets of the British Commonwealth on the same terms as those enjoyed by Great Britain seems probable, and for preferential access by French and Belgian colonies to the market in the United Kingdom. Fundamentally, France feels that under the existing Free Trade Area proposals she will both lose on balance and expose herself to many dangers. She is not antagonistic to the general belief that a wider area of free trade will be good for Europe, but altruism has its limits. She will state a price calculated from a French, not a Common Market, point of view.

The second probability is that in naming her price France will herself be uncertain to what extent a lower price will be acceptable. France's problem is essentially that of undergoing rapid and far-reaching economic adjustments without a breakdown in her entire social fabric. Industries will wither and

disappear; there will be local unemployment, local overpopulation and depopulation; old skills will be redundant; there will be agitation and protest and cries of distress. It is impossible, however, to say in advance how acute the problem will be, how rapidly it will develop, where it will strike and how long adjustments will take. In these circumstances France is naturally swayed by a host of nameless fears, some justified and some not, but all immeasurable. It is doubtful whether the French themselves really know whether they want to take their chance in a Free Trade Area or not. If, as is likely, the first few years of adjustment to the Common Market were to pass without disaster they would probably begin to wonder at their own fears of a Free Trade Area; they would be like the swimmer to whom the water looks forbiddingly cold until he has taken the plunge. Although negotiation of a Free Trade Area might still be possible at any time in the next two or three years, however, the difficulties in all respects except that of French self-confidence will mount formidably thereafter. There is now a race against time, for the communicating doors between the Common Market and the rest of Europe will be closing steadily from now onwards. Soon, the vested interests created by the lowering of internal and the raising of many external barriers will be powerfully ranged against any extension of the area of competition. Investment will have been undertaken on the assumption that tariff barriers against the United Kingdom and Scandinavia will be permanent; alternatively, development will be seriously held up by continued uncertainty on this score, and pressure to bring negotiations for a Free Trade Area to an end will mount.

With France in a state of nervousness and schizophrenia, and still in a sense the sick man of Europe, the outcome of further bargaining is problematical. On the broad material balance of prospective gain and loss it is hard to disagree with the French attitude that the current proposals for a Free Trade Area are not particularly attractive; France certainly stands to benefit less from them than any other member of the Common Market, and the price she will pay in terms of short-term disturbance is high. On the political side the vision which triumphed by a narrow margin over economic doubts and fears has faded, perhaps never to return; the stakes are intrinsically lower now than they were then. It looks as if only a liberal combination of bribes and anaesthetics will move France now.

So far as the United Kingdom is concerned, it seems probable that free commercial access to the Common Market will appear more desirable with every day that passes. But the price the French seem likely to ask in terms of access to Commonwealth markets is not ours to give, nor is it known whether there is any predisposition in the Dominions to consider what would amount to an extension of Imperial Preference to Europe. The outlook is unpromising, but there can be no doubt of the interest with which the new French proposals will be awaited. They may in the light of history be of critical importance for both Europe and the Commonwealth.

CEYLON UNDER SOCIALIST RULE

MR. BANDARANAIKE'S RÉGIME

FOR some eleven years now Ceylon has been a free and completely independent country within the British Commonwealth of Nations. The change from the previous advanced form of colonial government to the new independence went smoothly and without incident, and to outward appearances at least Ceylon was one of the happiest of the new nations, not without a number of problems of importance to solve it is true, but with nothing likely to cause serious trouble at least in the immediate or foreseeable future. For the first few years, and for so long as the first Prime Minister Mr. D. S. Senanayake was alive to lead the country, it did appear that the early promise of generally unruffled progress would be maintained. To the very great loss of the country, however, Mr. Senanayake was killed by a fall from his horse while riding on the Galle Face, Colombo, in March 1952.* He was succeeded by his son Dudley. A general election in May of the same year put the United National Party, Mr. Senanayake's party, back into office. Mr. Dudley Senanayake, however, was not in good health at the time, and he resigned after a little more than a year in office. His successor, Sir John Kotalawala, was a man of strong personality and forthright views and speech, and a doughty opponent of Communism, but unfortunately he did not possess that personal intimacy and close touch with the people of the country generally that distinguished the Senanayakes.

Even before the death of Mr. D. S. Senanayake, however, there had been indications of a small but growing change of feeling in the country against the all-powerful U.N.P. The Opposition parties, mainly left wing, were at first small and disorganized, but in July 1951, during the budget debate, Mr. S. W. R. D. Bandaranaike, the present Prime Minister, then leader of the House and Minister of Health and Local Government, most unexpectedly to most people, crossed the floor of the House and gave up his ministerial office, and membership of the party, to establish a new party of his own, which he called the Sri Lanka Freedom Party. A few other members joined him, but they were not powerful enough to overthrow the Government, and the budget was passed. The reasons that underlay Mr. Bandaranaike's action have never been fully explained, but he and those who thought with him ostensibly took the action they did because they were not satisfied with the progress made by the Government towards what they regarded as a more nationalist State, e.g. in such matters as the substitution of local languages, particularly Sinhalese, for English as the official language of the country, and the possible formation of a Republic on the Indian pattern. No doubt, Mr. Bandaranaike read the signs of a coming revolt, and saw a better future in leading what promised to be the more popular and progressive elements in political life, rather than remain in a conservative camp. In the 1952 general

* See THE ROUND TABLE, No. 167, June 1952, p. 291.

election his party won 9 seats against the U.N.P.'s 54 out of a total of 95 seats. The U.N.P. remained in office for another four years. Important events during this period were the election of Ceylon as a member of the United Nations Organization, and the appointment of Sir Oliver Goonetilleke to be Governor General in succession to Lord Soulbury. Sir Oliver was the first Ceylonese to hold this office.

During 1955 and early 1956 it began to be clear that the popularity of the U.N.P. had begun to wane, and the opposition to it grew. One of the chief outward signs of difference between the parties was the language issue. The U.N.P. had stood for parity between Sinhalese and Tamil as the official languages, but Mr. Bandaranaike's followers proposed Sinhalese as the one official language. This was a popular cry in the country, where the majority of the voters are Sinhalese. The U.N.P. towards the end of their period of office dropped Tamil and also proposed Sinhalese only as the official language, but this did not bring them any fresh support, but lost them the co-operation of the Tamils. Sir John Kotalawala decided to go to the country, and a general election was held in April 1956. To fight the election Mr. Bandaranaike formed a new party, which he called the Mahajana Eksath Peramuna (M.E.P. for short), consisting of his own party, a group of independents, one of two Trotskyist parties, and a party called the All Ceylon Basa Peramuna, later to be known as the Sri Lanka Socialist Party.

Fall of the United Nationalist Party

THE election was held in April 1956 and resulted in a sweeping victory for the M.E.P., who won 51 seats out of a total of 95. The U.N.P. won only 8 seats. The leading Opposition party was now the second Trotskyist party, the N.L.S.S.P. with 14 seats. The leader of this party, Dr. N. M. Perera, was chosen leader of the Opposition in the new Parliament. The only other party with a considerable membership was the Tamil Federal Party with 10 seats. The Communist Party proper won only 3 seats. It is interesting, however, that the U.N.P. received 738,551 votes, while the M.E.P. received 1,046,362 and the N.L.S.S.P. 274,204. It follows from these figures that the U.N.P. retained a much larger following in the country than the election returns indicated, but it has nevertheless become for the present at least a discredited party, with little influence in the affairs of the Island. In December, however, the U.N.P. won the majority of the seats in the Colombo Municipal Council elections.

The first task that faced the new Prime Minister was the formation of a Cabinet. This was no easy matter, for two main reasons. The first was that though he himself had had long parliamentary and ministerial experience, very few of his followers had. The second reason was that his party was by no means homogeneous. Leaders of the various sections of the party had to be given office, and to evolve a common policy, and indeed to keep the party together, as Mr. Bandaranaike has so far succeeded in doing, must surely be regarded as a considerable achievement. The new Cabinet consisted of 14 ministers, of whom 10 were members of the Prime Minister's own party,

one from the All Ceylon Basa Peramuna, one Independent and two V.L.S.S.P. (Trotskyists).

Leading Ceylonese historians have called the elections of 1936 a revolution. This may be too strong a word, but the elections undoubtedly started a new era in Ceylon. In order to understand the position it is necessary to appreciate that the U.N.P. were the lineal successors of an English educated middle class which rose into prominence during the latter half of the nineteenth century. In this class were lawyers, doctors, government servants, engineers, and other professional men, and many were considerable landowners and business men. They were the leaders in the demand for greater participation by the inhabitants of the country in its government, and they were also the leaders in the events that led to Independence. At the same time great developments were taking place among the vernacular-speaking people. Education was spreading among them; the opening of roads and railways gave them greater mobility, and a wide-spread vernacular press helped in the process. Interest in politics was encouraged by the grant of universal suffrage for men and women alike under the Donoughmore constitution of 1931. Leaders arose among them, including Buddhist priests, Ayurvedic physicians, vernacular school teachers and others of similar standing and position. Their influence at the hustings increased as time went on. During the early years of independence they were content to follow the lead of the experienced stalwarts of the U.N.P. who had won freedom for their country, but gradually discontent began to show itself, and the U.N.P. began to be looked upon as a party of reaction, anxious to retain the privileges of its members and opposed to progress. The formation of the new party, dedicated as they saw it to national progress, and particularly to the advancement of the Sinhalese, gave them their opportunity, and it was on their votes that the M.E.P. won their unexpected victory.

The position of the new Government in regard to foreign affairs, as indicated in the Speech from the Throne at the opening of the first Parliament after the elections, was that it would not align itself with any power *bloc*, but would collaborate and co-operate with other countries, and would take steps towards the exchange of diplomatic relations with countries in which Ceylon was not then represented. In accordance with this policy, Embassies were established in Moscow and Peking, and Missions were set up in Canada and in the Netherlands. There were misgivings when the Government assumed office that steps would be taken that would have the effect of severing the close ties between Ceylon and the United Kingdom, for it was one of the election planks of the party that they would consider steps towards the establishment of a republic in Ceylon, and reference was made to the matter in the Speech from the Throne. It has not, however, been treated as a matter of urgency, and the question is at present one of a number of constitutional questions under reference to a select committee of the two Houses of Parliament. Some part at least of the present Opposition in the House appears to wish for a republic outside the Commonwealth, but the Prime Minister has never shown any sympathy with such a view, and has frequently expressed the opinion that Ceylon has much to gain by remaining

a member of the Commonwealth. The Suez crisis, in regard to which the Ceylon Government disagreed with the action taken by Britain, naturally caused some strain on relations between the two countries, but the ties held even against this shock.

The Bases

ONE other important matter relating to the Commonwealth which was dealt with early by the Government was the question of the naval and air bases in Ceylon. Agreement was reached between the two countries to their mutual satisfaction, and the Royal Naval base at Trincomalee was handed over to the Ceylon Government on October 15 and the Royal Air Force Station at Katunayake on November 1, 1957, the agreement providing for the retention of some facilities at the two stations for three years and some for five, and also for the payment by the Ceylon Government of a sum of Rs.22 million spread over five years for fixed assets and other claims.

The new régime opened under good auspices. In May a great Buddhist festival, the Sambuddha Jayanthi, was held to commemorate 2,500 years of Buddhism in the island. Government participation in the festival celebrations was considerable, and included the issue of special stamps to mark the occasion. It was a period of goodwill amongst all communities and religions. It would have been fortunate if this happy state of affairs could have continued indefinitely, but there were other factors at work, which militated against such a consummation.

One of these factors, and a very important one, which has been the cause of many of the difficulties that have arisen in recent years, is the very great and still continuing increase of population in the island. When the British came to Ceylon 160 years ago the population of the whole island probably did not exceed 1 million. At the census of 1946 there were over 6 million. The 8 million mark was passed in 1953, and there is now a population of over 9 million, of whom about 6 million are Sinhalese and 1 million Ceylon Tamils. It is expected that there will be 10 million by 1960. The population is increasing by some 250,000 a year, and even this figure shows signs of being exceeded. Some parts of the country are thickly populated—the Western Province has a density of over 1,550 per sq. mile, but some parts of the country, e.g. the North Central and parts of the Northern and Eastern Provinces in particular, are still thinly peopled, mainly owing to the facts that these areas, being in the dry zone of Ceylon, require irrigation for most crops, and that for many years they were very unhealthy. The British, who took over these districts in 1815 as part of the Kandyan Kingdom, did a great deal of work in restoring many of the ancient irrigation reservoirs ("tanks"), and they succeeded in dealing with some of the worst diseases that ravaged the countryside, such as parangi (yaws) and anchylostomiasis, and they had much success in anti-malaria campaigns; but this disease has only recently been brought under more or less complete control, by new spraying methods. There was not much land hunger, however, and colonization was very slow—large areas were ready for settlement, but the people were happy in their own villages and did not wish to go to new homes. In

recent years, however, the pressure of population has become so great that the opening up of these large areas of the dry zone has become imperative. It has been the policy of the Government, by forming colonization schemes, opening up lands, and building houses for the settlers, to get people on to these new lands. There are peasant settlements and middle-class settlements, the former said to be generally the more successful, and gradually the dry zones, and available areas also in the wet zones, are being settled. Now, for many years the dry zones formed a sort of barrier between the thickly peopled Sinhalese areas of the west, south and centre, and the no less thickly populated Tamil areas of the north and east. The barrier is now being broken, and once again as in the days of old Sinhalese and Tamils in these districts are becoming next-door neighbours. The opening up of these lands is greatly to the credit of the Government, but there has been rivalry between the races for new lands. There was trouble for instance when the Government wished to move a number of Tamil labourers who had been displaced from the naval yards at Trincomalee to settle in a colony which the Sinhalese claimed should be entirely theirs. Similarly, there has been rivalry on the great Gal Oya scheme on the borders of the Tamil areas in the Eastern Province, where large settlements have been made.

Apart from land rivalry there have been other causes of friction between the races. It has been suggested, for instance, that the Tamils have secured and hold a disproportionate share in coveted government-service posts.

There are roughly a million Indian labourers, mainly Tamil and Tamil-speaking, in the planting areas of central Ceylon originally engaged because there was a scarcity of local labour, and because the Kandyan villagers disliked estate work and preferred to look after their own fields and gardens. This large group of non-Ceylonese has posed problems for many years, and is still an outstanding matter between the Ceylon and Indian governments. The Kandyans are now also increasing in number, and their villages no longer provide all they need. There is now a little more inclination to seek work on estates, and the presence of so many Indians there is being resented. Moreover, some agitators have professed to fear a union of Indian Tamils of the estate areas with the Ceylonese Tamils of the north and east, in which they see danger to the Sinhalese. This is far-fetched of course, but it is quite a useful argument in a time of crisis.

The Question of Language

WHAT actually sparked off the trouble between the races and led to the serious racial riots of May and June 1958 was the language question. Language means to both Sinhalese and Tamil something more than just a means of communication. It stands for their whole racial personality and, many believed, for their very existence. It has been seen that the official-language issue was not finally important between the main parties, for both had stood finally for Sinhalese as the one official language. The new Government put before Parliament, as one of its first acts, a Bill to declare Sinhalese the one official language of the country. The Bill became law on July 7, 1956, and steps were taken at once to set up a department of government to

implement the decision; but meanwhile the languages in use for any official purpose continued to be used until the necessary changes could be effected. It was not long before feeling began to run high. In Jaffna a campaign began to obliterate with tar the Sinhalese word *ශ්‍රී* (Sri) which had begun to be used on car number-plates in place of English letters. This led to reprisals in Sinhalese districts. There was a truce for a time, when on July 25, 1957, the Prime Minister and the leader of the Tamil Federal Party came to an agreement by which Tamil was to be recognized for certain purposes in the Tamil Districts, and Regional Councils with direct election were to be set up in the Northern and Eastern Provinces. The more extreme elements on each side, however, did not like the agreement, and it was not implemented but was withdrawn by the Prime Minister on April 9, 1958, on pressure from a number of his supporters. The abrogation of the pact was followed by serious disturbances in May, particularly at Polonnaruwa and near Anuradhapura in the North Central Province, and at Eravur in the Batticaloa District. On May 27 a state of emergency was declared, units of the army and navy were mobilized, the Tamil Federal Party and an extreme Sinhalese party, the Jatika Vimukti Peramuna, were proscribed, and leaders were placed under house arrest. Rioting became widespread, and some 10,000 Tamils left their homes in Colombo and were accommodated in refugee camps; a large number of Sinhalese in Jaffna were similarly accommodated there; both groups were later repatriated in requisitioned ships. Normality gradually returned. A "reasonable use of Tamil" Bill was passed in August, but the matter still awaits a final settlement.

Other troubles besides riots befell the country, this time not by an act of man, but of nature. The end of 1957 and beginning of 1958 saw very serious flooding of large parts of the country. The floods occurred at Christmas time, and it is said that some 300,000 people were rendered homeless and destitute. There have been serious floods before in Ceylon, but it is generally held that the floods of 1957 were among the worst ever experienced. Great damage was done to the railway and the roads, and many bridges were destroyed and communications interrupted. Prompt relief was given both locally and from friendly countries abroad, and the government departments concerned did a remarkably good job in repairing the damage quickly.

Besides floods and race riots, the last couple of years have been marked by considerable labour unrest and strikes. Among other strikes there was one in April 1958 of the Public Service Trade Union Federation, which included, besides working class, some "white collar" unions. It did not last long, but affected mostly the postal services, hospitals and some other government departments. The worst spate of strikes occurred about Christmas 1958. Just before the holidays there were strikes in several big department stores. Then a dispute occurred with the oil companies about a bonus, and the Shell Company's employees were called out, the strike leaders explaining that employees of the other companies were not called out so that the inconvenience to the public should be reduced to a minimum. On Christmas Eve there was a strike of the clerks of the commercial banks and of the Bank of Ceylon, which continued into the new year and seriously dislocated trade.

Trade unionism is strong in Ceylon but has not settled down yet. Many of the unions are led by politicians, particularly by leaders of the left-wing parties, and the matters in dispute are frequently confused by political issues and by the struggle for control between these parties.

One other black spot in this so far rather unhappy account of the present internal position in Ceylon must be mentioned, and that is crime. 1958 was a bad year, especially for crimes of violence. The murder and suicide rates were said to be the highest ever recorded. This was undoubtedly due largely to the disturbed state of the country, and it is to be hoped that with easing conditions a better record will soon be shown.

A Favourable Balance of Trade

ECONOMICALLY, the present position is not unsatisfactory. The two years before the Government took office showed the largest favourable balance of trade that the country had ever experienced. There was also a favourable but smaller balance in 1956, but in 1957 there was a swing in the other direction; in 1958 the downward tendency was stopped, and the latest figures for 1958 show a return to a favourable balance. The small recession in 1957 was due partly to unsatisfactory weather for the main crops, and partly to a fall in world prices. Labour troubles chiefly in the Port also had some effect, but generally it can be said that as regards trade Ceylon held her own satisfactorily through a rather trying period. There has been little change in acreage under the main crops, tea with about 570,000 acres, rubber 670,000, coconut and paddy (rice) both with over one million acres. Ceylon's economy depends almost entirely on these crops, and nearly 95 per cent of her exports consist of tea, rubber and coconut produce.

Ceylon's dependence on the three main crops has long been a matter of controversy in the country. There is an advantage that the industries are large, and efficiently run, and the products are in world-wide demand. On the other hand, any upset to any one of the industries might have serious consequences. The policy of the Government is therefore to try to establish a broader-based economy by encouraging other agricultural products in addition to the main three, and also by a process of industrialization. A national planning council was set up in 1956 under the Prime Minister as chairman. Ceylon had had two six-year plans of development. The first for various reasons did not make much progress. The second is in operation now, but is not being kept to in its original form and new schemes are being prepared. Government-run industries have not up to date proved very successful in Ceylon, but with very considerable help from abroad fresh endeavours are being made to foster the extension of agriculture and to introduce and develop new industries. The Government has explained that its interest in industry will take three main forms. Some basic industries will be entirely run by government. Others will be the concern of government-sponsored corporations, under an Act passed in 1956. Government was to be the only shareholder in these industries, but provision has been made now by which the Government can sell all or part of its shares until the government holding is reduced to 20 per cent or less, when the assets would be transferred to a joint stock company.

The third form of government help concerns the "private" sector, where technical assistance and other encouragement are given. Under this foreign as well as local firms were encouraged to establish factories for the manufacture of their products in Ceylon, and a number of firms have actually done so. Government-sponsored corporations have been set up to take over and expand existing government factories previously run by the department of industries.

Among the schemes proposed to be run by government and probably later by government-sponsored corporations are one for a refinery for the utilization of mineral sands, which occur in considerable quantities in Ceylon. Another is for a cotton-spinning mill of 12,000 spindles. A third provides for a large sugar refinery planned to make 200,000 tons of white sugar a year, drawing its raw materials from a huge agricultural scheme for the cultivation of cane sugar. Another scheme is for the expansion of the cement industry by the erection of at least one new large plant. Another is for the expansion of the salt industry and the utilization of its by-products. Two other schemes provide for the utilization of large deposits of iron ore for making iron and steel, and for the manufacture of motor-car tires and tubes. In most if not in all these products foreign aid, sometimes advisory, sometimes material, has been obtained. Latterly, much of the help has come from or been promised by Iron-Curtain countries. Under an economic co-operative agreement with China that country is helping with the spinning mill, and the U.S.S.R. is helping with the steel industry and the manufacture of motor tires and tubes, and also under a Soviet Aid agreement, with the development of the sugar factories. Czechoslovakian experts have made surveys for the proposed cement factories.

It is perhaps significant that the aid which is now being received from the Iron-Curtain countries mostly takes the form of help in regard to new industries. Ceylon has also received a great deal of help from Commonwealth countries and the U.S.A., mainly in other forms. Under the Colombo Plan, which is co-operative in its design and intention, Ceylon has received much help from the Commonwealth and from the other countries which have joined the plan. Canada, Australia and New Zealand have helped generously, and so has Japan. American aid under the American aid schemes has also been very generous.

There have been two major cases of nationalization since the present Government took office, the first of the bus companies, and the second of the Port landing facilities. The whole of the bus services in the Island is now under government control. It is too early yet to say how this will succeed, but at present the bus services appear to be running at a loss. Much is being spent, however, on re-equipment, e.g., redundant London buses are now a familiar sight on Colombo roads. In the harbour, where nationalization took effect on August 1, 1958, the improvements that have been made in recent years by the construction of deep-water quays where large ships can come alongside to discharge, and which have been provided with modern equipment of all kinds, made some kind of government ownership inevitable. Nationalization of estates is talked of from time to time, but it does not

appear that any proposal to this end is likely to come up in the near future. The estates from one source or another provide too large a part of the Government's income for the Government to take any risks without very careful forethought and preparation.

The very extensive industrial programme of the Government, and its expanding social-welfare, education, health and other services have presented the Government with the by no means easy task of finding the necessary money. In addition it was decided that the budget for 1958-59 should be the "first socialist budget" in Ceylon. The advice of Mr. Nicholas Káldor, the Cambridge economist, was asked, and a budget was presented to the House which certainly lives up to its claim of being a socialist budget. Revenue and expenditure had already more than doubled since independence, and now it was found necessary to increase revenue by some 33 per cent above the existing level. The budget contains a number of new and indeed revolutionary features. Under the head of income tax probably the biggest change was the introduction of a capital gains tax. There were three other completely new taxes: first a "wealth" tax of $\frac{1}{2}$ per cent on property above Rs.100,000 in value, rising to 2 per cent on property above Rs.500,000. The second was a tax on "personal consumption expenditure" and the third on "gifts". The proposals are involved, and it is not easy to foresee how they will work out in practice. A final decision has not been reached, but the government position so far seems to be that, while there may be amendments in detail, the general plan of the scheme will not be altered.

It has not been possible within the bounds of this short article to do more than give a general outline of the circumstances of Ceylon as they appear today. The present Government have been through a very trying period, and they have taken on heavy commitments. They have so far succeeded in one of the objects of their policy, that of retaining old affinities and yet at the same time making new friends in the East. Some opposition is showing itself against the Government on both the right and the left wings, and the next year or two will undoubtedly be critical in many ways, not least perhaps in the field of finance.

THE PRESIDENT AGAINST INFLATION

SPENDERS AND SAVERS IN AMERICA

THE United States is now launched upon a great economic debate and battle. It is not entirely between President Eisenhower and the Democratic majority in Congress. It is not just between spenders and savers. It is not simply between radicals and conservatives. All these elements enter in. But as Walter Lippmann has pointed out, it is really between "the bulls (who will accept a certain amount of inflation because they regard deflation, which means unemployment and the restriction of public services, as the greater evil), and the bears, [who] think that inflation is the greatest of the economic evils, and, to avoid it, they are reconciled to a certain amount of deflation."

President Eisenhower and his advisers fear the too rapid expansion of the economy, which they are sure is bound to be inflationary. They foresee the destruction of values, the diminution of export trade, the rise of wages above productivity. They are prepared to see the economy grow more slowly, so long as it grows with stability and balance. They are not seriously worried at some unemployment, some unused capacity.

The opposing groups believe that the rate of growth is the most important fact. They point out that for half a century the American economy grew at the rate of about 3 per cent a year, that it went up to 5 per cent from 1947 to 1953, and that for the past six years it has been about 2 per cent. They would like to see it go up to 5 per cent again, for they watch the expanding production of the Soviet Union with trepidation. They believe that only with an economy expanding at such a rate can the United States afford the price of adequate national defense, the rebuilding of our cities and other important social needs.

Everybody, more or less, is against inflation. But some are for a higher rate of economic growth than others. Those who urge the higher rate believe it is not only the way to pay for defense, but the way to balance the budget as well. The President's advisers believe such an economy is bound to be inflationary. Full employment and full use of plant capacity, they think, will simply force inflation. They no longer trust the traditional methods of curbing inflation through restriction of credit and a balanced budget. They feel that some unemployment to curb wages and some unused plant capacity to curb prices are absolutely necessary.

If this great debate took place in a political vacuum, there might be some chance of a rational decision. Actually, the political strength is heavily on the side of the rapid expansionists, the spenders. There may be a conservative majority in Congress, despite the Democratic victories of last November, but there is not a conservative majority when it comes to such tangible matters as federal aid to cities for the expansion of airports in the jet age, or rebuilding of cities to battle obsolescence and slums, or many other needed programs.

It is difficult to describe just what majorities actually do exist in Congress. In the Senate, with 98 members, there are about 24 conservative Republicans, about 22 conservative Southern Democrats, and about 13 western Senators who want what their conservative Southern leaders can give them. This is the kind of majority Senator Lyndon Johnson, the relatively conservative Democratic leader, can put together on many issues. But straight across such general calculations comes the question of federal aid for various important locally valued projects. Many otherwise conservative legislators will inevitably support them.

Futhermore, there is the political rôle of organized labor. When, three years ago, wage contracts were written tying wages to annual productivity and cost-of-living figures, all the many workers under such contracts were, so to speak, automatically removed from the dollar economy. That is to say, they were insulated from changes in the value of the dollar, as far as their incomes were concerned. They no longer had any impelling motive to be worried about inflation. They could ride uphill without any exertion. And, more likely than not, the increase in productivity was a result of new capital expenditure for re-tooling or improved management.

Employers, too, found that such contracts gave them an automatic and unanswerable excuse for raising prices. They, likewise, were largely insulated from the dollar economy. They were prone to agree to wage demands just because they could pass them on to their customers. They, too, were riding the upward wave.

The President himself, despite his deep commitment to combat inflation, also has pinned his prospects of a balanced budget on a very considerable degree of growth. To achieve income sufficient to balance his 77,000 million dollar budget, he must have total spending throughout the national economy of 380,000 million dollars by the year's end, which would be an increase of 20,000 million dollars. He will need profits of 48,000 million dollars, up one-third over 1958, and industrial production at 150 per cent of the 1947-49 average, as compared with 142 per cent presently. His budget assumes that 1959 will be a boom year, and 1960 a year to surpass all other years in sustained high activity. Against these expectations, he nevertheless hopes to keep inflation within reasonable bounds!

A Record Budget

THE new budget, in fact, is the biggest peace-time budget the United States has ever had. It is 5,200 million dollars more than the budget which former Secretary of the Treasury George Humphrey said might produce a depression "that will curl your hair". It is 3,100 million more than the President's original budget for the current fiscal year, which is running in the red by 12,900 million dollars. Yet the defense expenditure of 40,900 million dollars is vigorously attacked by the Democrats as not sufficient.

Actually this budget is a very competent and impressive handling of infinitely difficult problems. It achieves its balance not only through expectation of increased revenues, but by holding the line on various domestic expenditures. It does not cut seriously into any important programs, except

perhaps foreign military aid, which drops by 1,800 million. The budget does not offer great political targets, except for the fact that several politically appealing programs are left out.

Such programs—for example the aid for airport reconstruction—will almost surely be enacted by both houses of Congress, and equally surely vetoed by the President. Whether their supporters can summon the necessary two-thirds vote to override the veto remains to be seen. For six years, despite adverse congressional majorities, President Eisenhower has not had a veto overridden. He is one of the very few Presidents to be in that position for so long.

The attitude of the new Congressional majorities toward the President is not so much hostility as indifference. There is a pervasive feeling, which even Republicans share but do not often admit, that he is not now fighting hard for his programs. Yet Mr. Eisenhower has announced his intention to take his economic battle to the country, through travels, radio and television speeches, and other means. This is not quite the same as the kind of political battling which takes place in Washington, with jobs being awarded or withheld, pressures applied, and the full apparatus of partisan warfare in play. Indeed, for a President to take his program to the country is sometimes an appeal over the heads of his own party leadership. Mr. Eisenhower is none too happy about the present Republican congressional leadership, and well he may be. Senator Dirksen of Illinois, elected leader in the upper house after a gallant but foredoomed struggle by Republican liberals, is eloquent and shrewd but not a man of deep-seated principles and moral leadership. Representative Halleck, who dethroned the long-time leader, Joe Martin, after a bloody battle, is vigorous and plucky, but scarcely a statesman. Against these new Republican wheel-horses are two Democrats of consummate skill and power: Senator Johnson and Speaker Sam Rayburn.

Little has changed in the long-range presidential sweepstakes since the last ROUND TABLE report. Vice-President Nixon is aggressively but carefully trying to help create a great Republican Party record in 1959 so that—as he said in London—the presidential nomination in 1960 will be worth something. Governor Nelson Rockefeller is coping with tough fiscal problems in New York state, likewise planning to make an impressive record. Latest Gallup polls put him a trifle ahead of Mr. Nixon in voter popularity.

Among the Democrats, an intense struggle of Senatorial togas is under way. Senator Kennedy remains ahead in apparent popular favor, but Senator Johnson—if his health permits—is a formidable aspirant even though he comes from the South. It is still quite possible that the various Democratic Senatorial hopefuls will check and balance one another, and that the Democratic nomination will go again to Adlai Stevenson. None of the new Democratic Governors is very outstanding.

Despite the minority position of the President's party in Congress, despite his age and state of health and energy, the program the Administration has initiated has many elements of strength. However, it is the Congressional leadership that expects to show the way in programs of civil rights, social legislation and defense revitalization. The Democratic majorities of Congress

feel they are in the saddle. Except in terms of the great economic battle over rate of expansion and inflation, there is not a very significant difference between the Johnson-Rayburn posture and that of the President. Oftener than not, these conservative Democrats are closer to the Republicans than political convention permits either side to admit. This makes for a very blurred and hazy political skyline, except that the Democrats are ultra-confident about 1960, and the Republicans more than a little defeatist and uncertain whether to turn right or to turn left or to try as usual to compromise.

Oldest Inhabitant of the Kremlin

THE evolution of American foreign policy has been shaken by the visit of Anastas Mikoyan. The talented traveler introduced a human element which has been totally lacking in Soviet-American relations since it was evinced in some degree by Maxim Litvinov. Nobody is very sure whether the visit will make any substantial difference. Mr. Mikoyan shrewdly appealed to the pervasive American desire to be friendly. His apparently enthusiastic reception by business groups was almost inadvertent. Business leaders came to lunch or dine with him because most of them were curious, and didn't want to be in the indefensible position of staying away, and they found themselves applauding his virtuosity. Moreover, America loves nothing better than showing itself off. And the somewhat macabre experience of fraternizing with the longest-surviving inhabitant of the Kremlin's higher command was immensely appealing to most of the Americans who broke bread with the dialectically and skillfully evasive visitor.

Americans realized that Mr. Mikoyan was making no concessions, that the Soviet position remained as rigid as ever. But to see their visitor as a human being, to realize that one could sit down and talk with him, made them feel that perhaps the grave differences between east and west could be negotiated and eased. Mr. Mikoyan didn't behave, they thought, like a man about to launch an intercontinental ballistic missile. Recognizing his toughness, they were impressed by his continual emphasis on the need for peace. They will welcome more contacts from various Soviet leaders and groups, and even greater throngs of Americans will flock to the U.S.S.R. next summer.

On the other hand, Americans believe they may have made an impression on Mr. Mikoyan. It is credibly reported that before he came he said he didn't wish to disturb his memories of the U.S.A. in 1936, which were pleasant. He felt that in 1959 he would meet hostility and see a nation suffering from conflict, division, depression. Instead, of course, he was confronted by general evidences of growth and strength. Straight from his plane, he was whisked on to a great highway, hundreds of miles long, that hadn't existed or been dreamed of in 1936. Everywhere he saw signs of significant change. In factory after factory he asked whether they could keep up their production, and was told they had capacity orders ahead for 18 months. The research laboratories he saw in Detroit had not been imagined in 1936.

In short, the America that 1959 imposed upon Mr. Mikoyan's memories is an America of exuberant, dynamic growth, serving the needs of the people far more amply than it could hope to do in 1936. There were no signs of

decadent capitalism, or disgruntled proletariat. It was a consumers' economy that Mr. Mikoyan explored, and he seemed to take pains to witness and evaluate the consumptive elements. He was always hefting pre-packaged sirloin steaks and looking at new plastic gadgets.

If Mr. Mikoyan has been faithful enough to believe the Marxist economists who have steadily predicted the imminent collapse of American capitalism, he must have been shocked. If he expected to meet desperate or stupid capitalists, he must have been surprised. Indeed, many of the capitalists he met must have been more congenial to him than most of the politicians. Co-existence must have become a far greater reality to him—with a far longer time-scale—than it has been before in the thinking of Kremlin leadership.

Moreover, Mr. Mikoyan must have found that although Americans are willing enough to criticize Secretary Dulles, their substantive disagreements with him are not great. There is no wavering on the issue of Berlin, even if Americans may be uncertain about German rearmament or the terms of German reunification. In short, though many Americans would welcome a *détente* with the Soviet Union, they are not prepared to pay for it with the freedoms of the Berliners, or of any other people. Nor are they interested in disarmament proposals that do not contain elements of definite enforcement. Nor are they responsive to concessions to Communist China which would sacrifice Taipei—least of all after the grim demonstration of the Chinese communes.

On the basic, all-important point of whether the United States is preparing to fight the Soviet Union, and believes a war is inevitable, Mr. Mikoyan should have encountered the most universal and emphatic of assurances: the United States regards such a conflict with horror, would never initiate it, but is preparing vigorously for defense against possible aggression. As to the classic Communist thesis that the capitalist world will launch an attack when it sees failure staring it in the face, Mr. Mikoyan must have detected little confirmation.

But if—as many believe—the real Communist offensive is directed toward Asia and Africa, and is based upon economic penetration and subversive infiltration, Mr. Mikoyan can have discerned very little American counter-attack. The subject scarcely came up in his many public question-and-answer sessions, which may be doubly significant. Thus, his report to Khrushchev may well be that the Soviet Union has little to fear from a major American peaceful offensive to win Asia and Africa. On two counts, therefore, it may be good tidings Mr. M. bears back to Mr. K. First, no fear of an American military aggression; second, no fear of effective American competition in Asia and Africa.

As to Berlin, Mr. Mikoyan may advise his boss not to press things too hard, since the Americans do indeed take the issue seriously, though there is little they can do about it beyond protesting. Perhaps the United States will pay for Berlin's freedom with new security arrangements touching West Germany. And the convictions of the free world—as of the neutralist world—certainly are sympathetic to Berlin's freedom.

One brief word on another subject: decisions of various courts, both

federal and state, are slowly narrowing in on the southern segregationists. It may be that, tacitly at least, Southern leadership will bow to compromises which will admit the illegality of segregation, will recognize basic human rights, and yet will bring about little large-scale integration. Such developments would be all that can be hoped for. They might ease present passions. Most Negroes, and their friends, have wished the recognition of rights more than actual intermingling on any great scale.

If passions can be minimized, there is some chance that the inter-racial crisis will move into the vestibule of gradual solution. If it does not, the United States may be in for a worse time as relations between the races in large northern and western urban centers rub and chafe. It is not only the crisis of the last three years, but of the next ten, that Americans regard with concern. Perhaps an easement will set in now that the courts are removing Southerners' false expectations and evasions. It is too soon to be very helpful, but the tide may have turned.

A Time for Leadership

CONCERN at inflation and the economic and political consequences of labor's power remain high in American preoccupations. But more profoundly, there is uneasiness at the flashy, materialistic, false values which still seem to dominate too much of American life. More and more voices call for a re-examination of values, a rejection of the "easy way", a more concentrated attack upon national problems as the preparation for a more effective effort at peace-making. Few Americans indeed are satisfied with their economic, political, moral, or international climate. They are not getting much leadership out of these dilemmas, but they are ready for it.

THE CHANGING COMMONWEALTH

CONCEPTIONS AND REALITIES

AS there is often a time-lag in the reputations of the eminent, who are frequently best known not for what they are doing today but for what they did yesterday, so too a time-lag in contemporary knowledge of a political association so diverse in membership and so much changed in recent years as the Commonwealth is no matter for surprise. Yet it has its political liabilities. "We must seek to understand the Commonwealth", urged Lord Hailsham at a dinner of the Canada Club on November 18, 1958, "or we shall not preserve it." Remarks made on such festive occasions need not be too literally interpreted; but if indeed the prospects of Commonwealth survival were conditional upon the intensity of the search for understanding of it they would not be bright. In the United Kingdom at least the natural and inevitable time-lag is accentuated by particular circumstances. One, and not the least important, of these is the fact that those who knew the Commonwealth best in its imperial or quasi-imperial manifestations find its recent transformation into a loosely-knit multi-racial society appeals little to their understanding and perhaps even less in some instances to their taste. The long discussion that took place before the members of the Royal Empire Society agreed to the change in their designation to Royal Commonwealth Society is an illustration of this. "Of course", said the Prime Minister on his return from his Commonwealth tour of early 1958, "it [the Commonwealth] is different from what many of us revered and admired." But he went on to say "it is not only something different, it is more ambitious and in a way more exciting". This is something which, understandably enough, many of those who administered imperial policy in the past find it hard in their hearts to credit. Someone, for example, who knew from experience how Britain's control of the Indian Army made her in Asia for some decades, what she was not in Europe or elsewhere, a major land power is little likely to think of Commonwealth ties with a non-aligned India and an unstable Pakistan as exciting in terms of future possibilities. But, on the other hand, someone who is familiar first of all with the still far from expended strength of nationalist sentiment throughout Asia is likely to regard the maintenance of a Commonwealth link with major Asian States as a triumph of British statesmanship and a hopeful augury of the continued vitality of the Commonwealth idea, and, through it, of Britain's influence in the world. It is not the returning proconsul, it is the Chinese Foreign Minister visiting Delhi who is apt to be the more deeply impressed with this continuing Asian link with the West and to wonder perhaps whether the Prime Minister's phrasing might not be just.

The ambivalence so marked in United Kingdom attitudes to the Commonwealth is attributable therefore, if the analysis here suggested has anything in it, at least in part to the continued use of imperial yardsticks by which to measure its effective contribution to world affairs and its future prospects.

Why do they continue to be used? The answer is because of the absence of any general and widespread appreciation of the nature of the Commonwealth and relations between its member nations as they exist today. An Australian writer has recently suggested that while politicians are, for the most part, well aware of the change from Empire to Commonwealth and of the fact that only by treating Commonwealth members as sovereign states, on a basis of strict equality with Britain, will cordiality be preserved, there is a wider gap between their understanding of the realities of the situation and the public's than is customary. The tone of some British newspapers and of a good deal of popular discussion, he argues, suggests that many British people still like to think that the Commonwealth is something that belongs to them.

There is [Professor Miller writes*] a *proprietary* tone about much popular discussion which suggests that the public at large has not caught up with the march of events and the politicians' appreciation of it; and that on the whole the politicians prefer this state of affairs. It would obviously be more difficult to explain to the public that the Commonwealth is simply a loose association, an assembly of convenience, than to maintain or (more usually) to imply that it is somehow dependent upon British wisdom and direction, even though it stands on a basis of autonomy.

But he goes on to urge that in the long run it might be more in British interests to present the Commonwealth frankly to opinion at home and abroad in its true guise rather than as what emotion might wish it to be. Such realism might avoid ill-feeling and even resentment against the passivity of other Commonwealth members at times when Britain finds herself without substantial Commonwealth support.

The Proconsular View

ALMOST certainly there has been in fact a good deal less political deliberation in bringing about the situation than Professor Miller suggests. It is much more the consequence of the general time-lag in reputation, mentioned above, and of the more particular fact that people in Great Britain who know about individual member nations of the Commonwealth, and more especially about the newer member-nations, and therefore are asked to speak about them up and down the country, and accordingly help to shape opinion in the provinces or in London, are those who in the past have helped to govern these countries. Inevitably their appreciation of the present is to some extent coloured by their earlier experience. But to offer a rather different explanation to account for the public's, as distinct from the politician's, unawareness of the measure of the changes that have, and are, taking place is not necessarily to dispute Professor Miller's conclusion. On the whole this seems sound and there would also seem to be much advantage in greater efforts to inform the public in Great Britain about present-day Commonwealth relations, about their importance, or for that matter, where it applies,

* J. D. B. Miller, *The Commonwealth and the World* (London, Duckworth, 1958), price 25s., p. 116.

about their lack of importance, to Britain and so to help to bring psychological attitudes into closer conformity with political realities. The greatest obstacle to this, however, is likely to be, not the reticence of politicians, but the indifference of the public. When they cannot think in proprietary or quasi-proprietary terms a not inconsiderable proportion may not care to think at all. After all, the major responsibility no longer rests with them.

This reaction is certainly nothing new and by no means confined, as many visitors from those countries so often suppose, to the newer members of the Commonwealth. A Canadian professor who visited one of the older British universities, admittedly some few years ago, said that after spending three days there he despaired of the Commonwealth. What led him to this saddening conclusion was lack of interest in the history and politics of the older members of the Commonwealth and of Canada especially. It is something no sensitive person can fail to note, even now when considerably more attention is devoted to these things. During the Michaelmas term last year a debating team from McGill University toured the principal University debating societies in Great Britain. They were astonished at the ignorance of the Commonwealth that prevailed. The attractive offer of a Canadian dollar to any member of their audiences who could name correctly the member-nations of the Commonwealth was not won till the team reached Cambridge on the last lap of their tour. No one who has such experiences is apt to rate highly the public's support for the Commonwealth idea in the United Kingdom. Yet he might reach too drastic a conclusion. It is not altogether far-fetched to think there is also a reassuring side. Ties have long existed and are now, at least in the case of Canada, Australia and New Zealand, taken for granted. Attention is, and perhaps first should be, paid to the areas where acute problems are likely to arise, where discord exists. With these older members of the Commonwealth and also, increasingly though still tentatively with the Asian members, there is a presumption of continuing accord and association because problems have been resolved and sources of possible friction largely removed. Yet if so much can be said, it is the very most that can; and for the rest it is clear that lack of interest, let alone lack of enthusiasm, for the Commonwealth idea on a realistic contemporary basis could well diminish its potential range of achievement.

The Surviving Dependencies

THERE is greater interest in the remaining territories of the Colonial Empire. The reason for this is no doubt that Great Britain has a continuing direct responsibility for countries still remaining under its rule. They appeal to our proprietary sense. These territories are dwindling in number but not in the intensity of the problems they present. The territories in Africa that have, or are about to attain, full membership of the Commonwealth are those which present, generally speaking, the less intractable problems. Apart from small islands and strategic outposts, it is colonies deeply divided into separate communities or racial groups that will remain. Whatever the advantages of a colonial empire in an age when colonial empires are

so unfashionable as they are today, there is self-evidently little advantage to Britain in the residue of an empire, much of it threatened by the dissensions of rival claimants to the succession. Though traditionally imperial powers are reluctant to transfer responsibility and delay as long as possible the date of their withdrawal, this can hardly continue to apply in the British case except where strategic interests are thought to be at stake. Generally what now delays a transfer of power is the often thankless responsibility that remains to be discharged in advancing territories economically and politically towards the stage when self-government is a practicable proposition whilst at the same time maintaining some tolerable balance between rival interests and claims. Here, however, there is the solid encouragement of past experience in other territories. Even though the lessons of such experience elsewhere may not be exactly applied, nonetheless the pattern of successful recent evolution of African and Asian dependent territories to independence shows a path that may profitably be pursued. Once again, however, it is not at home but overseas that the reality and with it the reputation acquired by Britain, and indeed the Commonwealth, as a result of this orderly and on the whole peaceful progression of colonial territories in Asia and in Africa to independence is best understood. In Great Britain, for example, the so-called anti-colonial powers are still apt to be thought of as collectively and indiscriminately critical, as perhaps they might fairly have been ten years ago. But certainly that is no longer the case today. At the Institute of Pacific Relations Conference held at Lahore early last year an Indonesian delegate joined in general Asian tributes to British policies in Asia and in Africa and only wished that Indonesia had had an imperial power as enlightened as Britain to deal with in the post-war years. A continuing British resentment against what was thought to have been sweeping and usually ill-informed condemnation of colonial policies that have in fact led peacefully to independence is certainly one reason why some at least of the possibilities before the contemporary Commonwealth are regarded with less enthusiasm by many people in the mother country than might otherwise have been expected.

Relations on the Perimeter

THE enlargement of Commonwealth membership has brought within the last year or so a number of smaller states with little experience of international affairs or of the problems of international finance to the rank of member-nations. The governments of these countries are anxious to gain their experience in company with friendly states. The existing members of the Commonwealth are well equipped to give it, and it is encouraging to see how far existing members of the Commonwealth have taken advantage of this situation. They can offer help and advice in cases where it may, particularly in early years, be difficult for the United Kingdom to do so because advice from London may still carry with it the suggestion of dependence. On this score, therefore, the extensive travels of Dr. Nkrumah to other Commonwealth countries have much to recommend them, and it is probably true that the expression of anxieties clearly felt in Delhi about some aspects

of developments in Ghana made a greater impact upon him than anything that could have been said in London or even in Ottawa. The Indian Prime Minister evidently sensed the significance of this, for he instanced as justification of the Commonwealth connexion at the recent meeting of the Congress Party the fact that through the Commonwealth India had opportunities of influencing the development and policies of newly independent states in Asia and Africa which she might not otherwise possess.

This growth of relations on the perimeter of the Commonwealth again is something that does not fit easily into existing popular conceptions. Yet it is immensely important that in a great variety of ways members of the Commonwealth should be developing contacts with one another independent of the United Kingdom. It may be in time that the scale of these contacts between oversea member nations of the Commonwealth will give it strength and cohesion beyond what it possesses today. But if that is to happen one thing is essential, and that is time. The great sin in the present context of Commonwealth relations is impatience. It is not the sort of experiment that even under the most favourable circumstances can be expected to produce quick results. This makes it all the more important that people in Commonwealth countries, and especially in the United Kingdom, should be fully aware of the realities of the experiment and, provided they are satisfied that it is worth undertaking, should be prepared to give it the opportunity to reach a successful conclusion. But if it continues even implicitly to be judged by another and an inappropriate yardstick the outcome can only be a sense of frustration.

Professor Miller in the passage referred to above alluded critically to the proprietary sense with which the Commonwealth was apt to be regarded in the United Kingdom. Yet a proprietary sense, of the right kind, is exactly what one would hope to see implanted widely among people not only in this country but in Canada, Australia and South Asia and in due course in Africa. If the Commonwealth is to have life and vigour peoples in these various parts of the world must feel that in some sense it belongs to them and that they have played and are playing some significant part in its working. Canadians, after all, are very conscious of the importance of the British North America Act 1867 in Commonwealth history; and indeed their historians usually date Commonwealth origins from it. Likewise, many Indians and Pakistanis feel that their countries have played a decisive part in its later evolution and that the dates 1947 and 1949 are as important in Commonwealth history as 1926 and 1931, which marked the culmination of the development of the old Dominions to full equality with the United Kingdom. This proprietary sense, far from being reprehensible, is something that needs to be developed. There are signs that it is becoming so. One way in which it might be further and profitably cultivated is by Commonwealth meetings oversea. This is no new suggestion, but it is none the worse for that. Certainly there have been a number of meetings on economic and financial questions outside this country, as in Ottawa last autumn, but they do not have great popular appeal. There has been only one Foreign Ministers' meeting, and it took place in Colombo. Is it not time that another meeting of this kind

were held, perhaps in one of the capitals of the newest member nations, and more important, has not the time at last come when one Prime Ministers' meeting, with all the prestige it carries, should be held oversea?

A Concert of Convenience

PROFESSOR MILLER concludes that the present-day Commonwealth may best be described as a "concert of convenience". He justifies this not very inspiring description by saying that "concert" conveys the idea of agreement, but not of any greater degree of unity in approach than in fact exists. Convenience, he argues, is essentially what holds the Commonwealth nations together. Within the Commonwealth members need consult nothing but their convenience, and membership is convenient to each one of them in present circumstances. General descriptions of this kind are notoriously misleading and this one, as Professor Miller recognizes, is no exception. Obviously relations between Australia and the United Kingdom cannot be usefully summarized in these terms. But the merit of the description is that it conveys something of importance about the Commonwealth. What broadly speaking holds its varied membership together is the feeling that it is individually advantageous for the member nations to continue their association. In one sense there is something very encouraging about this. It provides a foundation on which much more may be built. Certainly it is not the sort of foundation that could withstand gusts of popular emotion or passion. It is a foundation that appeals essentially to governments and administrators. At the same time this sense of common convenience in membership is something that goes some considerable way towards justifying Britain's policies in the Commonwealth in the post-war years. It is the case so far that, with the exception of the Republic of Ireland, all the states which have had practical experience of the Commonwealth connexion in working have remained members. Not only that but they have by their participation in the system of Commonwealth consultation, and by their representation with almost unfailing regularity by their Prime Ministers at Commonwealth meetings in London, indicated that they do find the value of such discussions very considerable. If they did not, why would Prime Ministers, who are busy men, come to meetings which in recent years have been held with great frequency? But one thing that could with advantage be done is to publicize in strictly contemporary terms rather more about what goes on and about the things Commonwealth members consult about. Most people are familiar with the generalizations that appear with almost unfailing regularity in Speeches from the Throne, or in Commonwealth communiqués. But these have now a dated air. They belong to the immediate postwar period. With the changes in composition many changes must have taken place in the system of consultation since then. Is the system of consultation still comprehensive and all-embracing? Or are there many matters on which only some members of the Commonwealth, by agreement, consult? These are matters about which there has been little or no attempt to keep the public up to date, even within the limits that may be diplomatically possible or politically desirable.

UNITED KINGDOM

PROGRESS OF THE POUND

RIGHT at the end of the old year the Government, in concert with partners in O.E.E.C. and in consultation with the Commonwealth, took the plunge and amalgamated transferable with American sterling, thereby allowing foreign holders of sterling to demand dollars against their holdings regardless of their nationality. It was a symbolic technical move towards that full convertibility of sterling which is the elusive dream of both the Government and the Opposition. There is the stuff of political and economic controversy in the change, but it is nowhere questioned that the Chancellor of the Exchequer is justified in declaring that in the past four years Britain had been carrying the burden of *de facto* convertibility without securing the advantages of it—"neither the general advantages nor the particular advantage of being able to manage our own rate of exchange in our own market". The change is not significant, Mr. Heathcoat Amory has argued, because no greater strain will be placed on our reserves and there will be no greater need to keep our economy free from inflation. He has emphasized the limits of the new convertibility. It is not intended in any way to alter the declared parity of the pound with the dollar, or the margins of the pound against the dollar, which will continue to be 2.78 to 2.82. There is no change in control of capital transfers outside the sterling area, and the policy on trade will continue to be as announced at the Montreal conference. It is the Government's intention to see the programme for the removal of discrimination on imports from the dollar area well launched before a move is made from the post-war transitional provisions of the International Monetary Fund, Article 14, to the permanent provisions of Article 8—a move that would make sterling *de jure* convertible in the full sense of the Monetary Fund.

Mr. Heathcoat Amory accepts that the timing of the step towards convertibility must always be a matter of judgment, "and the Commonwealth accepted both at Montreal and at other conferences that the final judgment must be made by the United Kingdom". But Mr. Gaitskell, who in his days as Chancellor of the Exchequer in 1950 told the Americans that he considered the safe limit for convertibility to be dollar reserves of at least five and preferably six or seven thousand million, is convinced that the Government's decision means in practice that to secure some additional international business for the City of London they would increase the scope of speculators against the pound in time of trouble and at the same time throw away one possible weapon to be used against the speculator. (The prospect or the fact of the election of a Labour Government might well stimulate this type of speculation.) When the Commons discussed the European Monetary Agreement Bill in January Mr. Gaitskell summed up the Opposition's judgments in one long sentence:

I must make it plain that, much as we disagree with this decision, since the decision has been made we should do our best to work it; but at the same time

I declare that, precisely because of the greater vulnerability which springs from what has already been done, we are absolutely opposed to any further measure of decontrol in this field, and we shall take the strongest measures open to us against any British citizens who, in pursuit of their business interests, choose to try and evade control and speculate against the pound, for, important as may be the international business of the City, we do not intend to allow it to jeopardize the jobs and the livelihood of the British people and the steady expansion of our industry.

For Mr. Gaitskell, there is no doubt that the effect of the Government's action may be the holding back of expansion in Europe and the checking of trade recovery. For Mr. Heathcoat Amory, there is no doubt that Britain has reached a point in time when freer payment arrangements are very important if trade is to continue to expand. And as the pair of them stood at the dispatch boxes in the Commons to argue the question a look of incomprehension spread upon the faces of all but the economic experts on both sides of the House. Most members took their own leader's word for it and turned their thoughts to less technical subjects. Every member of the Commons must be a polymath, but there has to be a limit somewhere.

Portents and Prospects

IT cannot be said that the popular pulse has already begun to race at the thought that a general election must soon be upon us, but the party headquarters, the politicians and the political commentators will not be able to give their minds wholly to any other subject until Mr. Macmillan puts their fevered speculations to rest by declaring the date of the dissolution. For the present Mr. Macmillan never addresses himself to the theme without teasing. His firmest advice is that it will come between this spring and next spring—a calculation we are all competent to make; and Sir Winston Churchill, who has not only searched his singular electoral experience for the key but has had his occasional private sessions of thought with the Prime Minister, has vouchsafed that the election may come this year or next year but for his part he is "rather doubtful whether it is going to be so swift and sudden as is made out". Meanwhile, Mr. Macmillan lets no chance slip to warn his followers that they must not be carried away on a wave of optimism into complacency. The first opinion polls of the new year showed how well judged this caution is. Conservative and Labour are now running neck and neck for the post, after an Opposition spurt, and the remarkable recovery in popular esteem that excited ministerialists in the last six months of 1958 has lost its momentum. Labour need hardly more than a 2 per cent swing in the country generally, or a shift of about 60,000 votes in two score marginal seats (on which they are concentrating their effort) to be returned with a workable majority. In the City, the opinion polls begin to influence share prices, as the Government's popularity rises or falls.

Only a year ago the Opposition, from top to bottom, were dreaming aloud of a repetition of the 1945 landslide. They saw Mr. Gaitskell, like Mr. Attlee, leading a party that would crowd the government benches and then overflow among the remnant of the Conservative Opposition on the other side of the

Commons. That dream has faded utterly. When Mr. Morgan Phillips, the party secretary, faced political journalists to describe the progress of Labour's preliminary election campaign he first astonished everybody with his cocksure assertion that this time he would have no less than £725,000 to spend, a figure which is to be compared with the £70,000 he laid out for headquarters in the 1955 general election, and then added that he still foresaw "no big swing one way or the other". Never again will Labour speakers be able to abuse (without a blush, at any rate) the Conservatives as the party of money power. In fact, Lord Hailsham, the chairman of the Conservative Party organization, has reason to envy Mr. Morgan Phillips's free spending, which has borne fruit in the production of quite the glossiest and most lavish party pamphlet that British politics has ever known. Called *The future Labour offers you*, printed in colour, and tricked out with a thumb index, this document sells at 6d. a copy and according to print production experts at Conservative Central Office could scarcely be turned out for less than 1s. 6d. Labour leaders have admitted that it is being heavily subsidized; and within two months of publication one million copies had been sold. Before spring is with us, Mr. Morgan Phillips expects that sales will have risen to two million. Where does the money come from? From trade union largesse and (it is hoped) from rich party members who are to be button-holed by Mr. Aneurin Bevan, the Labour Party treasurer.

While the production of *The future Labour offers you* has won the admiration of every politician, printer and typographer, the text has been damned in Conservative quarters as wickedly misleading. Consider the Labour proposal to municipalize rented property. The party policy document *Homes of the future* stated:

We propose that the local authorities shall become the owners of all types of houses and flats. In most areas they will eventually become the largest and in some cases possibly the only landlords.

Again:

We are therefore of the opinion that houses and flats that were rent-controlled on January 1, 1956, and remain tenant-occupied, should be taken into public ownership.

(This is computed to encompass five million homes.)

The glossy brochure describes, or submerges, this proposal in the following vaguer words:

We shall . . . improve and modernize existing accommodation. Many landlords will not improve their houses, even where the structure is sound and a home could be modernized at reasonable cost. Labour will bring help to these tenants. We shall tackle the problem of improving their houses by empowering local councils to buy rent-restricted property and modernize it as fast as possible.

Some ambiguity, then, was to be expected. Had the Labour Party changed its mind between 1956 and 1958? Mr. Anthony Greenwood, the chairman of the working party that drew up the municipalization plan, was no sooner

ruffled by the suggestion than he took up his pen to write to the editor of *The Times*.

I hope you will accept my assurance that there is no substance in your assertion . . . that "there is more than a hint of second thought in Labour's latest formulation" of its housing policy. . . . *The future Labour offers you* is a condensation and simplification of the various detailed pronouncements issued in the past three years. It does not supersede them.

Wryly comparing this evidence, a Conservative Central Office publication commented:

It may be asked why the Labour Party has (*sic*) not been as honest about their (*sic*) intentions in *The future Labour offers you* as they were in *Homes of the future*. The answer is that the Labour Party hope *The future Labour offers you* will be read by hundreds of thousands of voters, whereas they know *Homes of the future* will be read by very few people outside their party officials. Moreover, *Homes of the future* has had an unfavourable reception, every indication showing that it was likely to be an electoral liability rather than an asset. For this reason it was important that its militant Socialism should be wrapped up or concealed and the man in the street told a different story.

As the gloss was being put on Labour policy, and the argument developed, both the Prime Minister and Mr. Gaitskell were once again abroad in the land. Mr. Macmillan went to the north-east of England on tour (thereby rediscovering the rich flavours of Geordie life, which he knew so well as Conservative M.P. and candidate for Stockton until 1945); Mr. Gaitskell travelled Ulster and Wales. What was their particular mission? Mr. Macmillan said he was engaged in "meeting the people", and Mr. Gaitskell said he wanted "to see for myself". These were no doubt forms of words for saying that when you are a new leader of a great political party and a general election is in the offing you must not think it is enough to cut a figure in Westminster and Whitehall; you must venture out on to the political killing grounds in the provinces and let the voting multitude get seized of your identity.

While on tour in this fashion Mr. Gaitskell looked in on the great Summers steelworks in Wales and said a significant thing. He roundly announced that when the next Labour Government renationalized the steel industry full compensation would be paid, and the amenities and pensions of employees would be guaranteed. This conflicts with promises or threats made by Labour front-benchers at the time when Sir Winston Churchill was denationalizing the steel industry; and there are not a few Conservatives who discovered in Mr. Gaitskell's pronouncement confirmation of their suspicions that Labour's steel plans are being reviewed. They think they know why. Steel workers, a wonderfully well-paid group in the enjoyment of the best labour conditions, have always been ambivalent towards nationalization proposals.

The Cloud in the East

LAST year's summer crises in the Middle East and the Far East took the general public, at any rate, by surprise. For more than two months before Mr. Macmillan made his visit of reconnaissance to the Soviet Union in company with Mr. Selwyn Lloyd, the Foreign Secretary, this summer's crisis

could be studied crawling ominously towards us day by day. It was formally announced by the Soviet threat to repudiate their obligations in Berlin and the proposal that west Berlin should be turned into a "free city". Moscow gave the West six months' notice (it expires in May) of intention to act unilaterally. In their replies to this first move in a dangerous game the Western Powers answered separately but in one voice that they remained ready to discuss the reunification of Germany and European security, as well as a peace treaty, but they refused to relinquish rights "upon the exercise of which the freedom of west Berlin will depend as long as there is no settlement of the Germany problem". The British reply of December 31 gave warning that the Soviet Government would be held responsible for free access to Berlin, and that Britain would not accept the substitution of "the German Democratic Republic" for the Soviet Government in that respect. But on the assumption that Mr. Khrushchev would be ready to enter into discussions in an atmosphere devoid of coercion or threats the British Government stated that they would welcome a Soviet answer at an early date.

The British reply was both longer and sharper in tone than usual but it was not so stiff as to make negotiations impossible without an open withdrawal of the Soviet proposals; and on January 10 the Soviet Government delivered a further Note to the Western Powers. This time they proposed that a conference to discuss a German peace treaty should be held within two months in either Warsaw or Prague, the composition to include representatives of the States (including China) whose armed forces took part in the war against Germany, as well as the Federal German Government and the East German régime. Attached to the Russian Note was a draft peace treaty not unlike proposals put forward in March 1952, and often repeated since, for reunification through confederation. This would neutralize Germany and withdraw the Federal Republic from N.A.T.O. and East Germany from the Warsaw Pact. The West's demand for free all-German elections was ignored.

In their sensitive and anxious parliamentary treatment of the developing crisis, Labour leaders have drawn attention to what Mr. Bevan called "an impossible inhibition upon any settlement being reached": insistence that the West German Republic, whatever the circumstances, should remain free to decide whether or not a reunited Germany should continue in N.A.T.O. Mr. Macmillan has recognized this as a very grave issue, but "I do not understand how a country can be said to be free if it is not able to follow the foreign policy that it wishes". Pressed by Mr. Gaitskell on the point, he added: "I want a conference, I want a solution, but I do not intend to go to a conference having first in public taken a position which would weaken myself and my Allies in such a conference."

Of course, a commitment to military disengagement in Europe is the outstanding point of difference between the Opposition and the Government in foreign policy today. There are five elements in Labour's distinctive solution for the problem of a European settlement and German reunification. First, gradual withdrawal under effective international control of all foreign forces from East and West Germany, Poland, Czechoslovakia and Hungary. Secondly, effective international control over the level and type of the

national armaments and armed forces agreed for these countries. Thirdly, German reunification within a framework to be agreed and guaranteed by Britain, France, the United States and U.S.S.R., including free elections, leaving the ways and means to be settled by the Germans themselves. Fourthly, negotiation of a European security treaty, backed by the four Powers, to guarantee the territorial integrity of countries in this area. Fifthly, withdrawal of the countries in the area from N.A.T.O. and the Warsaw Pact.

All this is intended to reduce the possibility of conflict along the perilous boundary dividing the military forces of N.A.T.O. and the Warsaw Pact Powers "without changing the balance of military security to the disadvantage of either side".

So much for the background to the visit of Mr. Macmillan and Mr. Selwyn Lloyd to the Soviet Union. There need be no doubt that the decision to take this initiative began with the Prime Minister and was confirmed by the Cabinet; and behind the smooth diplomatic façade observers sensed that some of the N.A.T.O. Governments were a good deal less than wholeheartedly behind the step. Abroad, as in some quarters on the Left at home, it turned out to be easy to interpret Mr. Macmillan's expedition to explore the Russian mind as a calculated stroke to improve the Government's image in readiness for the general election. But this was seriously to mistake the man and the hour. Those who stand close to Mr. Macmillan have for some time been aware of his feeling that the West was not addressing itself directly enough to "the opportunities and the dangers" of May, and his motive for bearding Mr. Khrushchev in the Kremlin was the hope that he could reconnoitre the area of dispute and light upon some point or points where negotiation between East and West will be possible at a summit meeting in the summer. In short, Mr. Macmillan thought there was a chance (he would not put it much higher than that) of his coming back from Moscow with a clearer understanding of Russian motives and intentions that would enable western leaders to focus their thoughts at the series of conferences on the German problem arranged for March and April.

Colonial Problems and a Solution

THE London talks in December to devise a constitution for Malta that would be generally acceptable to the island's political parties and to the British Government completely collapsed. Mr. Mintoff, Dr. Borg-Olivier and Miss Mabel Strickland all attended, but what Mr. Lennox-Boyd, the Colonial Secretary, hoped would be a round-table conference turned into a long series of separate interviews with deputations who could not be induced to sit in one room. In the end the British Government had to announce their decision to revoke the present Maltese constitution and to replace it with special interim arrangements whereby the Governor will rule the island through a nominated council on which there will be Maltese representation but no elected members. Mr. Lennox-Boyd hopes that the new system of government will not need to be prolonged for more than a year or so. A Bill is being passed through all its stages in the British Parlia-

ment to prepare a way of escape from the constitution introduced in 1947, which provided that the Maltese Parliament should meet at least once a year. Since last April, when Mr. Mintoff and his Government resigned, the Governor has been ruling by emergency powers.

Economic development is to continue in the period of interim government, with a British contribution of up to £29 million during the next five years towards the cost of Malta's capital programme, the conversion of the dock-yard to civil use and the encouragement of new industries. The generosity of this British commitment has done nothing to moderate the high tone adopted by the volatile Mr. Mintoff, who has now and again not stopped short of demanding full independence, although he has never tried to explain how Malta's economy could avoid disaster if the British props were kicked away. In truth, Mr. Mintoff has a temperament that drives him to extremes where he inevitably forfeits the sympathy even of those who wish him well; and it is almost certain that in the last year he has destroyed every hope that the British political leaders will ever again seriously take up the proposal for integrating Malta with the United Kingdom. (Conservative opinion, which had been reluctantly won over to this idea after the round-table discussions to which all the British parties contributed, has gone into rapid reverse recently, and even some Labour leaders have their private doubts after their unsuccessful attempts a year ago to teach Mr. Mintoff to rely less on bluffs and threats.) It is hardly less sure that his extremism may do something to deter British firms from ever taking the risks of establishing in Malta the new industries that the island desperately needs. Yet the very wildness of Mr. Mintoff's demands on Britain strengthen his position, at least for the time being, among the mass of Maltese. This is the Maltese cross that Mr. Lennox-Boyd has to carry.

It is by no means the only cross. The hurricane of African nationalism and Pan-Africanism swirls across the East African territories, sweeping away old, comfortable political landmarks and certainties; and the point of a conference over which Mr. Lennox-Boyd presided in January at Chequers, after calling the Governors of Kenya, Uganda and Tanganyika, and the British Resident in Zanzibar, to London, was to discuss the need for a concerted British colonial policy that will be at once strong enough and flexible enough to live through the storm. Part of the colonial problem in East Africa is that the territories have made their independent adjustments to the political and economic pressures of African nationalism. Thus (as one example) the holding of free elections in Tanganyika may have prompt repercussions in Kenya, where the set pace of development is markedly slower. (There is a sense in which nobody cares to dwell too long or too deeply on the future of Kenya, but soon rather than late, according to well informed visitors, the British Government will have to make a realistic decision.) No doubt the Chequers conference could not hope in 48 hours to do more than pose the questions that African nationalism has made urgent, but the Governors achieved something of value if they drove home upon the Government and the Colonial Office that the forces at work in East Africa are powerful enough to alter the policy-makers' calculations almost from one month to the next. After all, only yesterday African

colonial administrators looked upon the Congo as a sheet-anchor. Overnight the anchor was slipped.

The immense relief afforded by the agreement for the future of Cyprus between the British, Greek and Turkish Governments and the leaders of the two communities in the island has rendered obsolete the reflections it was intended to offer here, without leaving time to form a revised judgment that would have any lasting value. It should be said, however, that during his two years as Prime Minister Mr. Macmillan has at all times shown himself conciliatory in his approach to the Cypriot problem, and nobody will grudge him an important part of the credit for the settlement.

The Gandhi Tradition

IT is no secret that sites are being built in England for the Thor intermediate-range rocket missile, but the map references of the chosen sites continue to be a closely guarded official secret. In Parliament the Table will not accept from members questions naming the specific localities; newspapers are required not to publish information on the subject that would be of use to any potential enemy. Yet in December the national newspapers were full of stories telling the world of incidents at one of the rocket bases near Swaffham, in Norfolk, and in January they had reports that similar incidents were being organized for another specific base. This Gilbertian situation is explained by the fact that the leaders of the Direct Action Committee Against Nuclear War had led some of their members to Swaffham to demonstrate, and there they had made their protest by entering the rocket site and lying or sitting on the track to obstruct the contractors' lorries. On this first occasion the authorities took no action, but there were ministerial warnings in the Commons that the demonstrators would repeat their exploit at peril of the law.

Two weeks later the nuclear pacifists returned, and this time the patient and good-humoured local police were obliged to arrest and remove 45 men and women, among whom was the Reverend Michael Scott, who had travelled back specially for this occasion from the African People's conference in Accra. Mr. Scott refused the chance of bail, which was offered on condition of a promise not to cause a breach of the peace and not to enter Air Ministry property, and he was one of 22 demonstrators who spent Christmas in Norwich prison, where they passed some of the time receiving (according to reports) at least 2,000 Christmas cards and telegrams. In due course 46 demonstrators were ordered to enter into recognizances in the sum of £10 to be of good behaviour and keep the peace for a year; and in the magistrates' court defending counsel explained that "they believe themselves to be acting in the Gandhi tradition in making their protest without any use of force or violence". In so doing they obstructed the police and pleaded guilty. Mr. Scott defended himself. He made what the chairman of the Bench thought a political speech, in the course of which he asserted that "this particular base in this little village of Norfolk is capable of destroying three million people's lives". He and others were given seven days to enter into their recognizances, and

when they continued to refuse they were arrested and sent to prison for 14 days.

There they had time, no doubt, to reflect upon the words of Colonel J. H. Boag, the chairman of the Bench. "Nobody wants to make martyrs of you", he said. "You have challenged the very authority which, in the last resort, will preserve your freedom of expression." But it made no difference. The leaders of Direct Action were soon announcing that they were laying their plans for a similar demonstration at another "top secret" base in a few weeks' time. At any rate, it is agreeable to report that the conduct of the Norfolk constabulary, in circumstances of some delicacy and difficulty, was generally considered to be perfect. With their strength of arm as they gently carried the limp bodies of the latter-day Gandhis away went a sweetness of temper that the demonstrators themselves recognized as being in the best police tradition.

United Kingdom,
February 1959

NORTHERN IRELAND

UNEMPLOYMENT remains Northern Ireland's most critical problem. The menace of I.R.A. terrorism has diminished, and it is freely admitted—except on a political platform—that Partition is not a live issue. The year 1958 ended, however, with almost 40,000 unemployed in Ulster. This represented 8.3 per cent of the insured population. The worst of the winter lay ahead, and there was no portent of fuller employment.

Quite apart from the appreciable seasonal variations—usually about 10,000 from harvest-time to mid-winter—the long-term trends in Ulster unemployment show a cycle of slow improvement and sudden decline. The gains of the early post-war years were washed away by the textile recession of 1951. Recovery from this setback has been eliminated by the trade recession of the past two years. On balance—and it is disappointing to record this—the situation has tended to get worse rather than better.

At the year's end, unemployment figures were about 3,500 above the 1957 level—and were held down artificially by special relief schemes. These schemes, concerned with roads, forestry and the like, will have provided close to 5,000 jobs at different times over the winter; however, they are no solution to the basic deficiencies of the Ulster economy.

The industrial outlook is not promising. Much of the recent decline has been in the textile industry; a symptom of the industry's low earning power at the moment has been take-over bids by English financial interests. There has been some regrouping within the industry, but it is questionable if there is sufficient leadership and business acumen to avoid further decline. The shipbuilding industry remains basically strong, despite the labour problems that restricted output in 1958, but there may be serious redundancy in the aircraft industry. The latter will depend on the ability of Short Brothers and Harland to win contracts or sub-contracts for the R.A.F.'s freighter and manned bomber projects.

The unemployment figures are not a complete measure of recent decline. On April 1, 1957, the school-leaving age was finally raised from 14 to 15; over a period of a year, this reduced by 10,000 the number of young people entering the labour force. Without this measure, unemployment might have been much more severe than it now is. Even so, many young people are without work, and may reach their twenties without having held a steady job. Two or three years ago, few people under fifty had been without work for a protracted period; today, there is a danger of creating a new generation of "unemployables" who lack the will for working.

It is interesting that the recent onset of unemployment has been concentrated on Belfast. During 1958 unemployment rose in the capital city by almost 50 per cent, but declined slightly in the rest of the Province. Relief schemes outside the city were a factor in this contrast; so was the number of new industries throughout the countryside. The textile industry in the city paid off many workers, and there was increased unemployment in the building, shipbuilding and engineering trades. The comparative decline in Belfast was probably greater than the figures show; many workers normally travel into Belfast daily, but register at outside exchanges when unemployed.

It is not difficult to find reasons for the worsening of unemployment. Economic conditions in Northern Ireland are closely dependent on conditions in Great Britain; if anything, a recession is felt more acutely in the Six Counties. This is particularly true of unemployment figures, which are one index of economic conditions. In the first place, as jobs become scarcer in Great Britain, many Ulster workers there return home—where they can live more cheaply. In the second place, there is a falling-off in the normal migration of workers to Great Britain—the migration on which the Northern Ireland Government relies to keep unemployment in check. There has also been a falling-off in oversea migration, particularly owing to unfavourable reports of Canadian conditions.

The unemployment situation has worsened, then, and it is sobering to look back to 1955, when—with under 30,000 unemployed—the Northern Ireland Development Council was formed. The chairman, Lord Chandos, predicted at that time that the back of the unemployment problem would be broken in a matter of months. It is sobering also to look back to 1951, when the Conservative Government gained power at Westminster; in those days, unemployment was down to 26,000. Ulster has swerved little in its allegiance to the Conservative Party—whose whip is accepted by the Ulster Unionist members at Westminster—but the Northern Ireland Labour Party could well use such figures for some *post hoc ergo propter hoc* reasoning.

Moreover, the shortage of jobs has many subtle effects on the community. Social problems generally become more difficult to alleviate. Rehousing, rehabilitation of the sick or of problem families, improving standards of technical education—all become more difficult when jobs are scarce. It is probably fortunate that the current upsurge of unemployment has mainly affected women workers—mostly in the linen industry—although male unemployment remains at a higher rate.

The Government's new-industries drive continues to produce results—

the past year saw the beginning of projects which will eventually provide 5,000 jobs—but too slowly to compensate for declining industries and rising population. High transport costs across the Irish Sea discourage many industries from coming to Northern Ireland; labour has become less scarce in Great Britain. The British Government is making greater use of its powers to encourage industry to locate itself in areas of unemployment in Great Britain; the Northern Ireland Government offers even greater inducements, but the margin between Ulster and competing areas on the mainland has narrowed.

Moreover, Northern Ireland's task is not merely the provision of 30,000–40,000 jobs, in addition to the demands of a rising population. Each new factory tends to bring a number of Ulster workers back from England; it employs others who would have emigrated. A textile mill, for example, may also bring some women into the labour force for the first time. It is apparent that, for every ten jobs provided, the register of unemployed may drop by as little as three or four. It follows, then, that some 80,000–90,000 new jobs are required if unemployment is to be reduced to respectable proportions.

Can Northern Ireland solve its problem unaided? It seems that, whether the task be set at 30,000 jobs or 90,000 jobs, the solution must rest with Westminster and Whitehall. The Northern Ireland Government has had insufficient success in the post-war years; the Development Council, admittedly operating in difficult times, has not worked wonders. What more can Ulster do? One step, long resisted by the Ulster Government, would be the creation of a finance corporation to pump capital into industrial development. This may yet come, given the approval of the British Government, but—like the Development Council—it would have to rely considerably on cross-Channel talents.

It seems, however, that the first need is for the British Government to admit a responsibility for solving Ulster's problems—and to have the will to solve them. This would require a significant revision of the present approach, which is to look sympathetically on the Northern Ireland Government's ideas without really becoming administratively involved. The Northern Ireland Government, sensitive to criticisms of the Ulster experiment in devolution, probably approves of this approach. None the less, it is a hindrance to remedial action.

There is evidence, however, that Westminster is taking more interest in Ulster's problems. By March, the Province will have been visited in turn by Mr. Gaitskell, the Labour leader, by Mr. John Rogers, Parliamentary Secretary to the British Board of Trade, and by Mr. Macmillan himself. The British Labour Party has shown sporadic interest in Ulster's difficulties, and Mr. Alfred Robens led a delegation to Northern Ireland a few years ago. There was some reward when, after several years in the wilderness, the local Labour Party won four Belfast seats in the 1958 election for the Northern Ireland Parliament. It is possible that the next Parliament at Westminster might contain one or two Labour M.P.s from Ulster.

Northern Ireland,
February 1959.

IRELAND

RE-EXAMINATION OF ECONOMIC POLICY

THE origin of the economic policy which the Irish State has pursued resolutely since its foundation is to be found in a speech made in November 1905 by that doctrinaire journalist Arthur Griffith, the founder of Sinn Féin. An agricultural nation, he said, was like a man with one arm who had to make use of an arm belonging to another person, whilst an agricultural-manufacturing nation was like a man who had two arms of his own. Free trade, he maintained, was the enemy which the Union with Great Britain had admitted within the gates; it could be defeated only by national freedom and the power this would give to protect Irish industry. Griffith was a disciple of Friedrich List, a nineteenth-century German economist best known for his attack on the free trade doctrines of the classical economists. List's advocacy of almost unlimited protection for national ends bolstered private enterprise at the expense of the State and so gave an ethical veneer to the insatiable appetite of vested interests. Griffith's views so derived have for over thirty years influenced the economic policy of our successive governments to a greater or lesser degree. At first cautiously, during Mr. Cosgrave's administration, and finally without restraint under Mr. de Valera and his imitators, a policy of complete and reckless protection for native industry was put into force. Nor can our inexperienced politicians be really blamed for adopting this apparently simple solution of their difficulties. The position to their minds was clear. England was responsible for our ills and we must guard against her machinations as best we could.

It is now clear, however, that Griffith's diagnosis and remedy were not only unrealistic, but dangerous. It was an over-simplification to say that Irish industry had been the victim of British competition and policy. These were no doubt important contributory causes, but others equally important arose from the neglect of Irish manufacturers to adopt modern mechanized methods, from incompetent management and from disastrous labour disputes. And if free trade was the final undoing of our established industries it was the parent of others who owed their prosperity to the free imports and free competition which had injured their predecessors. Even during the Famine years there arose the linen and ship-building industries in the north, and later, in the south, the prosperous brewing, distilling, provision and cattle trades, all firmly based on native raw materials. These great industries commanded, and still command, a considerable, if now reduced, world market. The economic position at the beginning of this century was not therefore so dark as Griffith believed it to be. During three generations' under a free trade régime we had built up a flourishing export market in both agriculture and industry, and that foundation should have been strengthened and enlarged before a policy of almost unlimited protection was embarked on. Now a candid re-examination of our economic position has at last been made. A

year ago Mr. T. K. Whitaker, the secretary of the Department of Finance, pointed out "the desirability of attempting to work out an integrated programme of national development for the next five or ten years", which period he believed would be "critical for the country's survival as an economic entity". He offered to undertake this task and his offer was accepted. The result is a remarkable green book* which contains a competent and courageous survey of our economic plight. At the outset Mr. Whitaker poses the vital problem for solution by pointing out that "the policies hitherto followed, though given a fair trial, have not resulted in a viable economy". Owing to past extravagance and misspending "we have no longer the surplus resources with which to meet deficits in external payments". We are now faced with "a vicious circle of increasing emigration, resulting in a smaller domestic market, depleted of initiative and skill, and a reduced incentive, whether for Irishmen or foreigners, to undertake and organize the productive enterprises which alone can provide increased employment, opportunities and higher living standards". While "proximity to Britain tends to set wages and salaries here at British levels, our output does not suffice—and, however much improved, may never suffice—to support British standards". Here, indeed, is the heart of the problem: namely, the fact that while Great Britain and the Irish Republic are separate political entities they also constitute a common market. We have in fact to "live up to the Joneses" whether we like it or not, because they are our neighbours and their house is always open to us. Yet the national product per head in Great Britain is about twice as high as ours. This of course provides higher standards of living than our production justifies. Small and irregular savings, high taxation, low productivity, inadequate technical knowledge, trade union restrictions (which naturally follow those of Great Britain), and restrictions resulting from the highly monopolistic character of Irish industry, make things worse.

Mr. Whitaker emphasizes the cruel but unescapable truth that "the Irish economy cannot be insulated against outside economic and financial influences". As Sir Alexander Clutterbuck, the British Ambassador, reminded our President on New Year's Day, "prosperity like peace is indivisible, and it is only through patient and single-minded co-operation that solutions to the primary problems of the day will be found". Our survival as an economic entity depends, as Mr. Whitaker points out, on our ability to supply an increasing number of cattle for the export market, which is almost entirely British. We have, it seems, travelled a long way from the halcyon days of the so-called Economic War when Mr. de Valera's "braves" boasted that "the cattle trade had gone for ever", and from Mr. Costello's infantile claim in 1948 that we "would hit England in her pride and pocket". Indeed, as Mr. Whitaker urges, a bilateral Anglo-Irish beef policy would be of mutual benefit to both countries. At present our grasslands—which are our greatest source of wealth—have been so neglected that their fertilization constitutes a major and urgent necessity if our economy is to survive. As regards our industrial development Mr. Whitaker points out that our industrialists can no longer rely on a policy of protection by quotas or tariffs. Neither can we

* "Economic Development", Stationery Office, Dublin.

afford to retain the controls we have been exercising against foreign participation and control in the ownership and management of Irish industries. It is interesting to note that since the end of the last war 134 wholly American-owned plants have been established in the untrammelled economies of the Netherlands and Belgium. This involved the investment of \$250 million and provided employment for 40,000 people. Although much of this development is due to these countries' geographical position and the Common Market development it is conceivable that, but for our restrictive legislation, some of these factories might have come to Ireland.

As the readers of *THE ROUND TABLE* are aware, there is really nothing new about Mr. Whitaker's strictures, which have been often voiced in these pages. What is new, and, indeed, hopeful is that an Irish government have at last, by their acceptance and publication of his report, admitted them to be true.

The Remedy

ALTHOUGH Mr. Whitaker's diagnosis is fundamentally correct he has, apart from some trivial criticisms, turned a blind eye to the notorious deficiencies of our educational and transport systems. Nor can his remedies be described as anything more than palliatives. It must of course be admitted that the formulation of a general national policy was outside the scope of his reference. Whether the suggestions he has made follow from his analysis of our situation is a more debatable matter. We require in his view improvements in agricultural production, particularly as regards cattle and grassland, development of our sea fisheries, the unhampered introduction of foreign capital and experience and an increase in industrial credit facilities. The general level of efficiency and productivity must, he states, also be raised, restrictive labour practices must be abolished, and the location of new industries based on economic rather than political considerations. The total cost of all these developments is estimated at £212 million, and this expenditure should in time, Mr. Whitaker believes, double both the gross national production and the real national income. If this, he states, "could be achieved we would have made substantial progress in reducing unemployment and the flow of emigration, and in increasing employment and the living standards of our people". Yet the real problem remains—namely, our partial political and economic separation from our only substantial market, Great Britain. We are not, however, separated from Great Britain as regards the factors of production. Although emigration has been the constant theme of our politicians and churchmen they have failed to recognize that it is the natural product of the common labour market existing between Great Britain and Ireland.

The economic position of Ireland in relation to Britain and the Commonwealth is the same as that of one industry in a country *vis-à-vis* the other industries. This is because the factors of production can move freely out of the Republic to Britain and the Commonwealth states. As a rule the factors of production, more especially labour, cannot move freely from other countries. Ireland's economy is thus rather unusual. If the costs of an industry are high compared with other industries of like nature that industry cannot

expand or prosper. Costs in the Irish State are in fact high because of the impact of Britain on the prices of the factors of production; the small scale of our industry; and our remote situation. Consequently, our economy cannot easily expand. Moreover, the unusual nature of the economy combined with its relatively high dependence on foreign trade means that policies which succeed in bringing about full employment and economic growth in other countries are inadequate, or simply irrelevant, here. Britain is of necessity a magnet for our emigrants and sets the standard for our wage structure and interest rates. To survive economically we must improve production, increase our population and reduce costs.

Anchored as we are perforce to the prosperous and wealthy British economy, how can this be achieved? The question is easy to ask but under existing political conditions wellnigh impossible to answer. That Mr. Whitaker has hardly attempted to do so is not surprising. He has stated the problem but provided no answer. Devaluation, even if possible, which it is not, would provide no solution and only make things worse. Even the partial stoppage of emigration (as a method of readjusting wage levels) would bring down any Irish government, and for obvious reasons is hardly likely to be considered by any British one. Our Government has in a recent White Paper ("Programme for Economic Expansion") adopted most of Mr. Whitaker's proposals. Its broad effect is to substitute a policy of productive development for a policy of social development, which has yielded no tangible financial return and is anyhow virtually completed. The Government have not, however, accepted his proposals for the diversion of the Agricultural Grant to the subsidizing of fertilizers, nor that for the stoppage of rural electrification. The important thing is that it has accepted his main suggestions and conclusions.

At the conclusion of his report Mr. Whitaker suggests the creation of a small body composed of acknowledged economic experts "to study and promote development possibilities". Such an economic general staff, if properly constituted, would be invaluable. But it should have time, not only to examine and advise, but to *think*. Mr. Whitaker, owing to his position and terms of reference, was debarred from discussing the political background of our present economic policy, although he has discreetly suggested it. An economic general staff should suffer from no such limitations. It should be free not only to consider the internal results of our economic policy but the external factors, whether political or economic, which condition and determine it. In such matters politics and economics are interdependent. Our failure to appreciate this pregnant fact is mainly responsible for our present plight.

The Debate on P.R.

THE Dail instead of discussing these grave issues has been debating *ad nauseam* the merits and defects of P.R.* Mr. de Valera's demand for its abolition, dutifully endorsed, though possibly with mental reservations, by the Fianna Fail Party, has been embodied in a Bill for the amendment of the

* See THE ROUND TABLE, No. 193, Dec. 1958, pp. 69 et seq.

Constitution. It proposes to remove the P.R. system of voting and to substitute therefor single-member constituencies with election by a non-transferable vote. The Bill also provides for the setting up of a small commission equally representative of the Government and the Opposition, with a Chairman to be appointed by the President. This commission will settle the boundaries of the new constituencies. The debate was repetitive and dull. *Dublin Opinion* has a drawing showing one deputy, saying to another who is reading the debate, "Yerra for heaven's sake surely you're not paying any attention to the arguments for and against". A Fine Gael amendment asked the Dail to refuse a second reading on the grounds that the abolition of P.R. would interfere with the legitimate rights of minorities, lead to unrepresentative parliaments, had not been demanded by public opinion, and would impair rather than assist the ending of partition and the solution of other national problems. So far as public demand is concerned Mr. Costello should have remembered that the public neither demanded, nor was consulted concerning, his arbitrary decision to leave the Commonwealth in 1948. As an alternative to the abolition of P.R. Fine Gael suggested that a commission should be set up to examine and report on the existing electoral system. Mr. de Valera and his supporters repeated their now familiar arguments that a return to the old British system of voting would lead to political stability and unity. Mr. de Valera revealed that his real objection to P.R. was that it led to coalitions, and incidentally to his defeat in 1948.

The second reading of the Bill was duly passed on December 16 by a majority of 18, and even if it is rejected by the Senate (which would delay it for 90 days), eventually will be passed. Before it becomes law it must, however, be submitted to a referendum and approved by a majority of those voting. The Opposition maliciously reminded Mr. de Valera that when his child the second Constitution was being debated in 1937 he stated that P.R. had "worked out pretty well" and that "we have had to be very grateful that we have had the system of P.R. here". The government speakers on the other hand reminded Fine Gael that in 1933 it had seriously considered the desirability of abolishing P.R. Public controversy was further stimulated by the expert, if rash, intervention of Miss Enid Lakeman, Secretary of the British P.R. society, who no doubt convinced many fervid patriots that P.R. was, indeed, Britain's "secret weapon". In reality it was included in both our Constitutions solely on its merits. The result of the referendum is by no means a foregone conclusion. Should any considerable proportion of Mr. de Valera's followers vote against the abolition of P.R., which is not unlikely, the proposed amendment of the Constitution will be defeated. The average intelligent voter, disregarding the prejudiced views of the politicians, must only decide as best he can what is the most suitable electoral system for the country. His choice lies between our present very diluted system of P.R., which has given fair representation to all the major parties, prevented political landslides, and ensured reasonable stability, and the old British single-member majority system which would possibly ensure larger government majorities, prevent coalitions, give us government by a minority, and reduce the number of political parties. Such a voter may well ask, however, why a system which

has worked well enough for almost forty years should be abandoned for another, now considered obsolete in most democratic countries, to satisfy the whim of one man.

Mr. de Valera Moves Up and Out

MR. DE VALERA'S decision to stand as a candidate for the position of President of the Republic marks the end of an era. His departure from the political stage, where he commanded both dislike and affection, will leave a vacuum which no one else can fill. His election is almost a certainty, for he has already assumed the position of a "father figure" in the Irish scene. Mr. Sean T. O'Kelly, the present incumbent, having held office twice, is not eligible as a candidate. General Sean MacEoin, a hero of the Anglo-Irish struggle, who was defeated by Mr. O'Kelly in 1945, has been adopted as the Fine Gael candidate. Although Mr. de Valera is in good health for a man of 76 the disability imposed by failing sight has apparently been responsible for his retirement from active politics. The powers of the President, who holds office for seven years, are purely formal. If he is elected Mr. de Valera will have little responsibility, and no power, but great influence. His undoubted international prestige should count abroad. With characteristic finesse he is apparently planning to hold the referendum on P.R. and the presidential election on the same day, thus confusing the issue for ignorant voters. By-Line, the *Irish Times* cartoonist, caustically comments, "It's not going to be a straight vote—it's going to be a sort of Deverendum". The Opposition might counter his manoeuvre by withdrawing General MacEoin's candidature, in which event there would be no contest and Mr. de Valera would be automatically elected.

Mr. Sean Lemass, the present Tanaiste (or vice-premier) is an obvious choice as Mr. de Valera's successor in the positions of Taoiseach (or Prime Minister), and leader of the Fianna Fail Party. He is just 60 years of age and is a shrewd, intelligent, enterprising Dubliner of Huguenot extraction. He has most of the qualifications for an Irish political leader, having not only fought as a lad in the G.P.O. in 1916, but also in the subsequent Anglo-Irish guerrilla, and on the anti-treaty side in the Civil War. He takes little interest, however, in agriculture, our principal and vital industry, and is not *persona grata* with the "backwoodsmen" of his party. During his long term of office he has made the Department of Industry and Commerce the most important ministry in the State. His only likely opponent is Mr. Frank Aiken, a glum Northern Republican, who is the Minister for External Affairs, and Mr. de Valera's *fidus Achates*. His recent clever speeches at U.N., no doubt prepared by the bright "back room boys" of his department, are hardly a measure of his true capacity. The future of Fianna Fail without Mr. de Valera is highly problematical. Whoever assumes the mantle of "the Chief" will have no easy task.

Ireland,

February 1959.

INDIA

AN UNCERTAIN SMILE

NOBODY, not even Mr. Nehru, is talking any more about an alternative Prime Minister, although in the middle of last year it looked as though there was an element of seriousness in his declared intention to step aside from office at least for a while. Nobody, not even the Congress Party, can help talking about an alternative Government after all that has happened in the neighbouring countries, such as Iraq, Sudan, Burma, Thailand and, of course, Pakistan. In this juxtaposition is to be found the secret of India's self-assurance and the insecurity underneath. As the more or less democratic régimes fell by the wayside one by one, New Delhi smiled an uncertain smile. Pleased it was that India was now recognized by everybody as the last bastion of democracy in Asia, but nearly everybody except Mr. Nehru must have looked over his shoulder with a feeling of uneasiness. Some of these latter whistled in an apparently carefree manner; the whistle reminded many of the frightened boy in the dark trying to cheer himself up.

Even the pessimists agree that as long as Mr. Nehru is there nobody need fear—or hope, for General Ayub Khan's initial success with profiteers and other anti-social elements has impressed many on this side of the border—that there will be a military dictatorship in India. Not even the optimists can any more be sure what will happen after Nehru. By and large, New Delhi's *sang-froid* was justified. There is no reason to doubt the loyalty of India's armed forces. What has been doubted, with reason, is whether the loyalty will survive Mr. Nehru. There are several other reassuring factors. The civil service is perhaps more efficient, despite its deterioration, than in any of the countries named above. The political maturity of the people is perhaps greater too, and they have begun to value their vote. Finally, there is the Congress Party, which, in spite of its steady erosion since Independence, is technically a more efficient machine today than ever before. Those who think that after Nehru there will be chaos should substitute Congress for chaos.

The Congress met for its annual session in Nagpur, and, as usual, it was described as an historic session. Some economic resolutions were indeed adopted which may have far-reaching consequences. Politically, the session was not on the face of it eventful. Subsequent moves make it permissible to wonder whether, after reducing the party to the status of a public relations department, Mr. Nehru is not at last beginning to realize the political significance of the organization, especially when there is a vacuum. Since the conclusion of the open sessions more and more State Congress Committees have been nominating Mrs. Indira Gandhi, the Prime Minister's able and beautiful daughter, for the presidentship of the party. This may or may not have Mr. Nehru's approval; neither takes away anything from the political significance of the choice.

It is no longer a secret, nor is it wholly unnatural or illegitimate, that not a few of Mr. Nehru's colleagues are ambitious. Nor is it unknown that some

of these latter have already taken care to drop a hint to chosen State Congress Committees that they would not care to be Prime Minister, meaning that they would. Some have put in some organizational work already in canvassing the various Chief Ministers. Mr. Nehru cannot be unaware of these goings-on, and he must have discovered with dismay that there is not a single candidate who is universally acceptable. Some who need not be named are in fact highly controversial. To avoid a split in these circumstances it is necessary to find someone for whom there is no positive widespread dislike. Mrs. Gandhi's choice is open to any number of misinterpretations in a country replete with nepotism, but shrewder political observers have begun to see sense in the suggested succession.

In the absence of a generally acceptable leader, after Nehru power will revert to the party; and, at that point of time, if the party be headed by Mrs. Gandhi there would be nothing obviously improper in her taking over the reins of government. She will be under great strain from the various pressure groups unless she has meanwhile acquired a national personality strong enough to withstand them, but those who know Mrs. Gandhi do not put this beyond her capacity, which is greater than she has so far cared to publicize.

Should Mrs. Gandhi be elected President of the Congress, there will be another immediate gain. For the past ten years the party has only been as important as the Government has cared to make it. Very rightly, the party is judged by its government's performance; and, except when Mr. Nehru was leading both, the former has not usually dared to criticize the latter even privately. There should be greater co-ordination between father and daughter, and the present dichotomy should disappear. In other countries it may be a good thing to keep the party and its government strictly separate, and there are strong arguments in its favour. In India the first job is to get a few things done, and it should not be forgotten that she is supposed to be competing with China where there is no dividing line at all between party and government.

Third Plan

IT may not be a wholly correct appreciation, but the realization has been growing that democracy's survival in these troubled times depends more on its economic performance than on anything else. (The truth, of course, is that even a prosperous community can opt for desperate régimes for other reasons.) Mr. Nehru has, therefore, announced that the Third Plan must be even bigger than the Second, which, as everyone knows, has been going through a process of pruning almost ever since it was put into operation. Foreign aid, which has increased considerably in recent months, may or may not have anything to do with the crisis of democracy in Asia, but the current talk of bigness may well have more political significance than economic. Recent reports of a fresh move to revive the Baghdad Pact were the reason, or the excuse, for an increase in India's defence expenditure; and there is so much less for development. Constant efforts are being made to impress upon the United States that, apart from the Americans' moral obligation to help

the under-developed countries, there is an additional political obligation because they are sending arms to Pakistan and thus obliging India to spend more on arms. Whatever the validity of the argument, it seems to be cutting some ice in the U.S. capital.

The Nagpur Congress did not even begin to acknowledge that there is a certain contradiction between India's desire for foreign aid and capital and the internal economic policies she has been pursuing. Mr. Nehru has petulantly announced that in the Third Plan the public sector, meaning State-owned industries, is bound to expand. Private enterprise has long resigned itself to the limited nature of its operation in an economy that is seeking to be socialist; it also recognizes that private capital is just not available for certain necessary industries; but it is altogether another matter to lash out at free enterprise at regular intervals and then to woo it. The result is that economic progress is even slower than it need have been.

After Mundhra

MR. NEHRU'S displeasure with the private sector is based as much on his flirtation with socialism in his younger days as on some recent revelations. The *cause célèbre* of 1958 was an enquiry into certain investments made by the nationalized Life Insurance Corporation. Never in independent India has an inquiry aroused so much interest. Mr. Feroze Gandhi, the Prime Minister's son-in-law and a member of Parliament, disclosed in the Lok Sabha that the Life Insurance Corporation had bought certain shares, worth over £700,000, only to help a man called Hari Das Mundhra of whom few outside the stock exchange had ever heard before. It has since been found that some of the shares were spurious, and at the time of writing there are at least twenty cases pending before various courts against this gentleman, the charges ranging from violation of foreign exchange regulations to simple cheating. In some cases he has already been found guilty and convicted. Mr. Justice Chagla, now ambassador to the United States, held the inquiry, and the resignation of the Finance Minister, Mr. T. T. Krishnamachari, followed. As Mr. Chagla had found that the officials of his Ministry must bear a large share of the responsibility there was a further inquiry into their affairs, conducted by Mr. Justice Vivian Bose of the Supreme Court. This report is now before the Union Public Service Commission, and in spite of having promised Parliament to publish the report, the Government seems in no great hurry to do so. Needless to say, certain portions of the report are now the subject of widespread speculation throughout the country.

The inquiry was a great event. It had long been known that corruption had spread even to the highest reaches of the Government, but the people had accepted all this with a dangerously cynical resignation. Audit reports pointed out numerous irregularities, parliamentary committees exposed any number of scandals. Nothing was done to anybody. For the first time the Government heeded criticism in Parliament and ordered an inquiry.

There has been evidence since that the Government, even Mr. Nehru, has been ruining this exercise in exposure. The public sector is now very very public, and the view has taken away a great deal from the spell nationaliza-

tion used once to cast on the public mind. Naturally there has been public criticism of the manner in which nationalized industries are being run, and the private sector is to be forgiven for deriving a measure of malicious satisfaction from the vulnerability of the public sector. Hence Mr. Nehru's exaggerated defence of the public sector and equally exaggerated abhorrence of the private.

As it happens, the private sector's record is by comparison a good deal more dismal. Officials such as H.M. Patel and Kamat (both of the Indian Civil Service) may or may not have lived up to expectations, but they were dealing with a not altogether unrepresentative specimen of Indian business men. The country was amazed to know how markets are manipulated, funds transferred without observing the minimum formalities, officials influenced in mysterious ways. With disgust the country learned that donations to Congress party election funds could be adequate insurance against official action against the donors' worst crimes. The atmosphere of suspicion against the administration has been strengthened by the current inquiry into the affairs of a group of companies run by two others called Dalmiah and Jain. Here too the story is sordid beyond belief.

India's Sherman Adams?

THE heavy air was thickened further, as the new year opened, with unpleasant rumours about a Mr. M. O. Mathai, the Prime Minister's Special Assistant. This gentleman has since resigned in order, as he said in an extraordinary letter to the Prime Minister, to defend himself. It is only proper to suspend judgment until more is known about the allegations against him, but it is significant that he has been likened already to Sherman Adams. Mr. Mathai certainly wielded a greater degree of power than has ever been heard of in a cabinet form of government, and he never belonged to the permanent civil service. Those who live in New Delhi know that he reigned over the Prime Minister's secretariat, and that only one or two Cabinet Ministers had access to Mr. Nehru without his Special Assistant's permission. It is possible that, being in possession of such enormous and ill-defined powers, he made enemies and the charges are malicious.

Very different is the popular notion, and it has been reinforced by indiscretions in the highest quarters. It is impossible for the public to know the precise extent of Mr. Krishnamachari's involvement in the Life Insurance Corporation's deals with Mr. Mundhra, but his is no longer a name very widely respected for obvious integrity. He is in fact very unpopular. And yet the Home Minister, Mr. G. B. Pant, recently went all the way from New Delhi to Madras to unveil a portrait of the former Finance Minister, which immediately gave rise to a spate of speculation, still undenied, that efforts are being made to rehabilitate him and then bring him back to office either in the Cabinet or in the Planning Commission.

It is entirely right that Mr. Nehru should stand by his colleagues unless they are proved guilty. It is not nearly so right that he should ignore popular feeling. Softness towards suspected persons has already gone far enough to erode popular confidence in the administration and, be it remembered, this

was the beginning of peoples' turning away from democracy in the neighbouring countries. It has already been stated that New Delhi's *aplomb* in face of collapsing democracy all around is justified. It is necessary to add that it would be foolish to imagine that this justification is a permanent factor immune from change. Indian politics are, in part imperceptibly, undergoing a sea change, and many are the storms lying ahead.

Two Books

TWO recent publications brought out the nature of the change, even if only obliquely or tangentially. On his birthday, November 14, Mr. Nehru published *A Bunch of Old Letters*, a selection from the correspondence received by him since his entry into politics. The transformation hinted at may be seen in the following quotation from a letter by Pandit Motilal Nehru to his son as long ago as December 2, 1926:

I am thoroughly disgusted and am now seriously thinking of retiring from public life. . . . The Malaviya-Lala gang aided by Birla's money are making frantic efforts to capture the Congress. They will probably succeed as no counter effort is possible from our side.

Such frank, and perhaps not wholly fair, remarks would hardly have been possible in anything but the most confidential correspondence, and it may be questioned whether its publication did not do some injustice to some parties, but it should be remembered that Mr. Nehru edited the letters before their publication. It is thus natural to presume that the Prime Minister thought it necessary, or justified, to make the letter public. This, however, is only one letter out of many to give the reader a very vivid sense of the qualitative change coming over Indian politics.

Maulana Abul Kalam Azad's autobiographical narrative, *India Wins Freedom*, came out on Republic Day, January 26. Once again one can see what has been coming over the Indian political scene. Somewhere in the book the author, who was President of the Congress Party during most of the war and its negotiations with the British Government, and a great personal friend of the Prime Minister, says that his opponents always acknowledged that they were dealing with gentlemen, meaning Congressmen. The word "gentlemen" has lost most of its meaning in recent years; it is now almost a sneer. Yet, there may be more in it than that.

To put it bluntly, the class character of India's political leadership has been changing; and the rest of the world, including the Commonwealth, is unwise not to take in its significance. Right up to Mr. Nehru the world has been dealing with a species of politicians that is fast becoming extinct in this country. The leaders of yesterday were all successful men in their respective spheres of activity, law or medicine or something else. They suffered from no inferiority complex, no pettiness. Then came Mahatma Gandhi's mass movement with its negative ideologies, such as passive resistance and non-co-operation. The door was then open to anyone who came along, and there was no qualitative test at all. The politics of successful men are soon going to be replaced by those of total failures, and Mr. Nehru and Dr. B. C. Roy and

Mr. Rajagopalachari belong to a category of politicians that will soon cease to be. The word "gentleman" covers a multitude of sins, but India is beginning to witness what happens when the other kind takes over. Mr. Nehru may or may not be addicted to power for its own sake, but nobody will suggest that he clings to office because he cannot bear the thought of living in a less comfortable house than the former Commander-in-Chief's or that it would break his heart not to be followed by a retinue of secretaries and servants. He has known all these amenities all his life, his colleagues (many of them) and his successors (almost all of them) have not; and the greater the temptation.

International assessment of India tomorrow must also take into account another important change. Others besides Mr. Nehru speak English, in a manner of speaking, but he alone means what the original language is supposed to mean. After him the same words will be used, and this will mislead many, but the meanings will be vastly different. And vastly different will be the relations between India and the English-speaking world. The uncertainty of the Indian smile has been spoken of; the uncertainty of the Indophile's self-satisfied laughter that India is firmly set on the course of liberal democracy may be in for more than one unpleasant surprise.

India,

February 1959.

PAKISTAN

SECOND PHASE OF REVOLUTION

THE assumption of the office of President of Pakistan by General Mohammad Ayub Khan was the natural culmination of the process of change which had started in the country with the promulgation of martial law on October 7, 1958. Soon after the new régime had taken over there was widespread speculation both in Pakistan and abroad about any possible differences between General Mohammad Ayub Khan and Major-General Iskander Mirza. It was apparent that, if such a subject continued to be a matter of debate, there would once again be the same air of uncertainty and suspense which had plagued previous régimes with disastrous consequences. These observations are amply borne out by the statement that Major-General Iskander Mirza issued on relinquishing the Presidency of Pakistan on the night of October 27, 1958. In this he admitted that "any semblance of dual control is likely to hamper the effective performance" of the task that the new régime had undertaken. He also referred to the likelihood that the country's cause might be damaged because "an unfortunate impression exists in the minds of a great many people both at home and abroad that General Ayub and I may not always act in unison".

Major-General Iskander Mirza's resignation was widely welcomed throughout Pakistan. Whatever may be his qualities and achievements as an individual, he could not have possibly endeared himself to the people of Pakistan because of his deep involvement in the sordid political tussle which had dragged the country to the brink of ruin. Undoubtedly the politicians were fickle-minded and blatant opportunists. But it was Iskander Mirza who used them as marionettes. He dexterously pulled the strings to play one against the other and thereby create conditions of utter chaos and anarchy which he hoped to turn to his own advantage. He could not therefore have escaped the responsibility for creating conditions which necessitated the imposition of martial law in the country. There is much soundness in the comment of a British journal that "it is the common view in Pakistan—as, indeed, in some other countries—that most of the politicians deserved to be stoned: but it is hardly for General Mirza to cast the stones". It was, therefore, not uncharitable to consider that with Iskander Mirza ensconced in the highest office of the country the revolution was not complete. His stepping aside in favour of General Mohammad Ayub Khan not only eliminated the likelihood of divided counsels at the highest level, but also ended diarchy and thereby removed all chances of confusion of responsibility for the new régime's policies. The break with the past was thus completed. The revolution had been rationalized.

An immediate offshoot of the change was the swearing in of a presidential cabinet in Pakistan.

The immediate job of the new régime was a thorough spring-cleaning. During the period under review it has taken various measures to restore the

financial equilibrium of the country, to root out commercial malpractices and to cleanse the administration of corruption and inefficiency. All have got off to a flying start. The declaration of hidden wealth made under martial-law amnesty amounts to the staggering total of Rs. 1,340,000,000. Of this a quarter will now go to the Government by way of taxes. Foreign exchange surrendered under the amnesty amounted to over Rs. 40,000,000, while foreign exchange held unauthorizedly by Pakistani nationals abroad and now declared to the authorities also amounted to over Rs. 40,000,000. There has been a permanent addition of about 10,000 persons to the body of those assessed for income tax. If one is reminded of the two attempts made in the past to secure voluntary declarations of hidden wealth—one made in 1953, which evoked not a single response, and a subsequent appeal which brought in a total of nine declarations involving a sum of less than Rs. 400,000—the new régime's success can only be described as astonishing.

In the commercial field smuggling has been stopped and the black market ended. The radical re-orientation of import policy, which *inter alia* encourages imports against bonus earned on exports, completely eliminates bogus importers who secured import licences either because of their influence or through bribery. Such licences were sold into the black market at premiums ranging from 50 per cent to 300 or 400 per cent. Anyone who thought of getting quick money went after import licences. According to one estimate there were as many as 80,000 importers in the country, and a majority of them were bogus. Naturally the prices of consumer goods continued to rise in a steep spiral, so as to be out of reach of the genuine consumer; and because of the fatuities of the licensing system many important industries suffered for want of raw material and equipment.

Likewise sweeping measures have been taken for dealing with government servants who are corrupt, guilty of misconduct, inefficient or in any way connected with subversive activities. Anyone found guilty of either of these charges is liable to dismissal, removal from service, compulsory retirement or reduction in rank. All gazetted officers have been directed to declare for examination by the screening committees not only details of immovable property held by them, their dependants or any other person on their behalf, but also their cash and bank deposits held in Pakistan or abroad.

Persistent food scarcity has been the biggest single factor of imbalance in Pakistan's trade. During the last three years alone the country had to spend Rs. 157,420,000 on importing cereals to feed itself. The irony of it is that what constitutes the province of West Pakistan used to be regarded as the granary of undivided India. Yet when 7,000,000 acres of land had been affected by salinity and waterlogging, and when millions of acres of land for which irrigation was available lay uncultivated, simply because previous governments under pressure of vested interest could not decide to whom to distribute and to whom not to distribute, the results could not be different. Pakistan possesses a huge surplus labour force; and yet year after year thousands and thousands of cultivators suffered unemployment or gross underemployment, in spite of the fact that cultivable land could readily be made available. Now under a presidential instruction to the Governors of

both East and West Pakistan a drive has been launched to increase agricultural production in the country within the shortest possible time. The instruction, which was issued on November 26, lays down that in West Pakistan all land for which irrigation is available is to be distributed within a period of three months. In East Pakistan all cultivable fallow lands are to be brought under cultivation within three months. At a high-level conference held in Lahore on December 13, with President Mohammad Ayub Khan in the chair, a short-term plan for 1958-59 was adopted which aims at making Pakistan independent of food imports. The conference also adopted a long-term plan, to be incorporated in the Second Five Year Plan, whose objective will be to achieve an exportable surplus of food grains.

Alongside these measures several reform commissions have been set up—the Legal Reforms Commission, the Educational Commission, the Land Reforms Commission and the Services Reorganization Committee. The Land Reforms Commission has already completed its task, and it is hoped that by the time these lines appear in print other bodies would have also completed their task.

So far so good. But the really important and vital task before the new régime is that of national reconstruction. Thanks to the opportunism and myopic outlook of the politicians the whole edifice of Pakistani nationhood had started crumbling. Provincialism and parochialism ate into the very vitals of our body politic. And yet those who were now proud to call themselves Punjabis, Bengalis, Sindhis and so on were the very people who a little more than a decade ago were welded into a unity which swept aside any considerations of geographical divisions. Here was a challenge. The nation had to be helped to rediscover its ideological basis.

The decision to set up a Bureau of Reconstruction, whose task is as gigantic as it is urgent, was the inevitable and natural corollary of the revolution. To achieve real benefits from the revolution it is necessary that the approach of thought and outlook of our people be reoriented in conformity with the highest ideals of citizenship.

A Constitutional Commission

IN a speech on January 15, at the annual function of the Karachi High Court Bar Association, President Ayub said that the purpose of the several reform commissions and committees was

to prepare the country suitably for the representative form of government to come in and flourish. As soon as these basic things look like getting under way, we shall set up a constitutional commission consisting of the best brains in the country. Their recommendations will then be put before the country and as accepted free and unfettered elections will be held. I reckon this process may take a couple of years.

President Ayub refused to prejudge the type of constitution Pakistan would ultimately have. But he insisted on two things.

Firstly that our constitution should be such that it suits our circumstances and conditions, and secondly, that it should not admit of political instability under any circumstances.

In a statement at a Press conference on December 2, General Ayub had envisaged that under the new constitution the President, who would be elected direct by the people or through electoral colleges, would enjoy wide powers so that "his leg is not pulled every day". In a filmed interview with the B.B.C. he pointed out that Pakistan, with its widespread illiteracy, could not operate successfully the parliamentary democracy based on the Westminster model in Britain. When the B.B.C. correspondent reminded him of the maxim that "power corrupts and absolute power corrupts absolutely", the President replied: "There are exceptions to every maxim. If you have fear of God and work for a cause then there is no reason why you should be corrupted."

Coming to foreign affairs an outstanding development has been the improvement in relations between Pakistan and United Arab Republic. The cordiality with which Mr. Habib-ur-Rahman, Minister for Education and Information, was received in Cairo is considered a happy indication that Pakistan's good will is reciprocated by the U.A.R. Mr. Habib-ur-Rahman, who visited Cairo at the end of November, where he had a ninety-minute meeting with President Nasser, was well satisfied with the success of his mission. He was of the view that there was no misunderstanding between Pakistan and the U.A.R. There had been some lack of understanding between the two countries in the past, and he foresaw further improvement in their relations and hoped that the two countries would now implement more effectively a cultural agreement concluded between them some years ago.

Pakistan's participation in certain defensive alliances, particularly the Baghdad Pact, has always been a sore point with Cairo. The fact that pre-Revolution Iraq had joined the Baghdad Pact created an impression among certain Arab circles that Pakistan too had been instrumental in dividing the Arab world. With the radical change in the Middle Eastern situation, it will serve no useful purpose to prove that the impression was utterly erroneous. However, Mr. Habib-ur-Rahman stated after his interview with President Nasser that the Baghdad Pact did not constitute a stumbling block in relations between Pakistan and the U.A.R. On his return to Karachi Mr. Habib-ur-Rahman was asked if he thought that President Nasser no longer grudged Pakistan's membership of the Baghdad Pact. His reply was that he had explained to President Nasser that Pakistan had certain international obligations which it had to honour and would honour.

While the U.A.R. appears to have modified its attitude towards Pakistan, India has unleashed a new propaganda campaign against her neighbour. Mr. Nehru has suddenly discovered in Pakistan "a naked military dictatorship" the like of which "there never had been". The Indian Premier was obviously forgetful of this immediate comment on Pakistan's revolution—that a popular dictatorship no longer remained a dictatorship.

This sweeping change in Mr. Nehru's assessment can only be ascribed to President Ayub's forthright pronouncements on Kashmir and canal water

issues. The present régime in Pakistan is not a politicians' régime. It is in no need to raise slogans to endear itself to the people. It enjoys popular support because of its solid achievements in many fields of Pakistan's national life.

Pakistan,

February 1959.

According to the constitution of THE ROUND TABLE, the chronicle of events in Pakistan is left to a Pakistani writer, who has become a whole-hearted supporter of the new régime. Account, however, should also be taken of the following more favourable judgment of General Iskander Mirza, contributed by a distinguished English administrator with long experience in what is now Pakistan.

Iskander Mirza was a strictly constitutional Head of State, who under Pakistan's defunct constitution was bound, under penalty of possible impeachment, "to act in accordance with the advice of the Cabinet"; and he could only appoint a Prime Minister who "in his opinion is most likely to command the confidence of the majority of the members of the National Assembly". Now, owing to the fact that there is nothing in common between West and East Pakistan except religion, there was no political party of an all-Pakistan complexion. It follows that the President's task of finding a cabinet who could command an all-Pakistan parliamentary majority became a labour of Sisyphus. Majorities could only be achieved by means of uneasy cabals and constantly shifting and venal alliances between parties. It was always necessary to buy support by bargaining on principle. This was the reason why there was never certainty that any party would continue to uphold, e.g. "one-unit" in the West, or stand firmly on the question of the type of electorates. The choice between "one-unit" or reversion to separate provinces in the West was always being bargained against the choice between joint or separate electorates in the East.

What could a constitutional President do? He did on more than one occasion, on advice, take over direct government in Bengal, as the constitution allowed. And in the end he cut the impossible knot, and, risking impeachment, abrogated the constitution. Yet your correspondent gives him no credit either for keeping the constitutional ship afloat for an incredibly difficult three years, or for his courage in acting unconstitutionally when the ship began to go on the rocks.

Iskander Mirza's dignity and personal charm did much during these critical early years of Pakistan's existence to win her an honoured place in the international field. He is greatly respected both in Turkey and in Persia, and he has made a great contribution to common councils both in the Baghdad Pact and the S.E.A.T.O.

Finally, since his suppression he continues to conduct himself with real dignity and patriotism. He declines to indulge in any bitterness or criticism against his successor or the new régime. There can be little doubt that, when history comes to be written, Iskander Mirza, as the first President of a new State in an age beset with difficulties for his own country and the world in general, will be accorded a very honourable niche.

CANADA

CONSERVATIVES ON THE DEFENSIVE

WHEN the second session of the 24th Federal Parliament of Canada opened on January 15 there was the usual prediction that it would be livelier than its predecessor; and there is some prospect of the fulfilment of this prophecy, because important issues, which will provide material for sharp controversy, have emerged, and the parties in opposition have been heartened by evidence of a decline in the popularity of the Government. During the last session both the Liberals and the C.C.F. were dispirited through the drastic reduction of their parliamentary strength in the election held in March; and their new leaders, Mr. Pearson and Mr. Argue, were disposed to feel their way cautiously until the political climate became more favorable for effective challenges to the wisdom of the Government's policies. So, while they occasionally managed to drive the Diefenbaker Ministry into difficult corners, they made no headway towards convincing the voters that they had been unwise in giving the Progressive-Conservative Party a decisive mandate.

Mr. Diefenbaker was the complete master of his Cabinet and the dominating figure in the House of Commons; and his Ministry had actually gained in popular favor by its prompt fulfilment of pledges given in the election, by legislation which offered practical benefits or reliefs from burdens to substantial sections of the people. It had to grapple with problems arising out of the economic recession which had developed, but it was able to blame the misguided policies of the Liberal Party. However, when the recession became more serious, the decision of the Prime Minister to embark upon an aerial pilgrimage round the world, which entailed his absence from Ottawa for seven weeks, exposed him to the criticism that his time and energies would have been better employed in finding solutions for pressing domestic problems than in making speeches in distant countries and exploring the views of their leaders about international problems. His Ministers, bereft of his rather autocratic leadership, were somewhat inclined to defer important decisions, with the result that towards the close of the year the results of Federal by-elections revealed a marked erosion of the Government's popularity. Its candidates contrived to hold a rural seat in Manitoba with a sharply reduced majority, but it lost the Trinity division of Toronto to the Liberals, whose nominee, Mr. Paul Hellyer, a member of the last Liberal Cabinet, will be a useful reinforcement to the front bench of the Opposition. Accordingly, the parties in opposition have now regained confidence to engage in more aggressive tactics, and they feel that they have ample ammunition for keeping the Government on the defensive throughout the session and convicting it of sins of omission and commission.

The Speech from the Throne, a longer document than usual, reviewed various international problems with which Canada is concerned, and claimed

beneficial results from both the Prime Minister's tour and the Economic Conference of the partners of the British Commonwealth held in Montreal last September, before outlining the Government's programme of legislation. The Bill of Rights, a pet project of the Prime Minister, which was extinguished by prorogation last session, will be reintroduced; and authority will be sought for the establishment of a National Energy Board, armed with comprehensive powers, whose task will be to ensure that Canada's resources in energy, such as oil, gas and water power, are used effectively and prudently to the best advantage of her people. For the appeasement of the farmers, whose spokesmen still protest that their share of the national income is an inadequate return for their labors, the Government proposes to inaugurate a system of crop insurance in co-operation with such provinces as favor participation in it, and to undertake a comprehensive review and revision of the legislation relating to farm credit for the purpose of increasing its benefits. There is also a commitment to extend for another year the increase of 3 per cent authorized last year in the share of revenues from income tax allotted to the Provinces, and to review periodically through conferences the financial relations between the latter and the Federal Government. There is a forecast of legislation to alleviate the discriminatory effects of a recent rise of 17 per cent in railway freight rates, probably through financial subsidies to the railways, and a normal list of measures for the amendment of existing statutes was announced. Credit is claimed for the reduction of unemployment by expediting special programmes of public works in co-operation with the provincial and municipal authorities; but the only reference to the country's other paramount problem, the menace of inflation, was a curious passage in which the Government, after "welcoming the evidence of recovery from the recession" and promising to foster and assist it, expressed the belief that, as the recovery proceeded, there would be increasing need to preserve the stability and purchasing power of the currency.

A Duel of Leaders

THE debate on the Address, which Mr. Pearson opened, got a lively start through a spirited oratorical duel between the Liberal leader and the Prime Minister. Mr. Pearson asserted that Canada today was faced with more problems, difficulties and anxieties than at any time since the Second World War and that the Government had "elevated expediency into the rank of a national policy" by adopting the practice of waiting until problems had created critical conditions and then dealing with them by "a hand-out or hold-off". He accused Ministers of misleading the public about the realities of the country's economic plight and of resorting for its cure to "bumbling and fumbling policies" such as its billion-dollar* program of public works, which was turning out to be "one of the greatest political hoaxes in our history". He maintained that its piecemeal efforts to cope with unemployment had done little to help the workless, but had placed "an inflationary time bomb in the midst of our national economy" with the result that the

* In the American sense of 1,000 million.—*Editor.*

credit of the Government had fallen financially as well as politically and old age pensioners had already lost nearly one-fourth of the benefit of the \$9 *per mensem* increase in their pensions granted in November 1957 through the decline in the purchasing power of the Canadian dollar. To support his strictures upon the financial policies of the Government, and their encouragement of inflation, he was able to cite severe criticisms of them made by Mr. James Muir, the President of the Royal Bank of Canada. He also charged the Government with culpable vacillation in regard to its policy about defense and declared that he could not support the Bill of Rights in its present form. So his conclusion was that in its first 18 months of office the Government had shown "a genius not for following a straight and steady course, but for confusion and contradiction, for wavering instability and for a determination to lean, positively on one man, negatively on the previous Government", and he wound up by moving a vote of no-confidence based largely on the Ministry's "lamentable indecision in dealing with mounting unemployment".

The Prime Minister did not attempt to deal seriatim with Mr. Pearson's charges, but he counter-attacked sharply with a stern rebuke to the Liberal leader for giving a gloomy description of the state of Canada's economy and trying to plant fears in the hearts of Canadians at a time when economic stresses were worldwide and the Communist *blo*c of nations had launched an economic attack upon the free world. He said that the seriousness of this attack had been brought home to his mind during his recent tour of the Commonwealth, when he discovered that in various parts of Asia Communist China was offering cotton goods for sale at 33 or 34 cents a yard, which was about one-third of the price of \$1 asked for similar goods produced in Britain and the United States; and he expatiated upon its menacing consequences not only for Asiatic countries but for Canada. He also alleged that Mr. Pearson's alarmist picture "drawn with cascades of verbosity and torrents of eloquence" was a strange reversal of a quite hopeful account of the Canadian economy, which he had given in an article contributed to the special Canadian Supplement, which *The Times* (of London) published last November, and that it was not supported by the facts. Moreover, as an antidote to the criticisms of Mr. Muir, he cited passages from a monthly economic review published by the Bank of Nova Scotia, which expressed the view that the recession in Canada had been less severe than the setback in the United States and gave a large share of the credit for its mildness to the policies of the Diefenbaker Ministry.

Mr. Argue, the leader of the C.C.F., pronounced a sarcastic verdict upon the speeches of the leaders of the two senior parties by asserting that, while they might have heartened their followers and frightened their opponents, they could have been delivered two years ago by the same speakers, when they were sitting on different sides of the House, after an exchange of their notes. He maintained that the Diefenbaker Ministry, which had gained power by pledges to reverse the Liberal policy of tight money and check the fall in the purchasing power of the Canadian dollar, which was eating into the benefits of the program of social security, had signally failed to fulfil these

pledges. He also reminded the Prime Minister that he had promised to rescue the farming community from its depressed plight by giving it "parity, but not charity" and contended that its policy of support for the prices of farm products fell far short of placing them on a level with the prices of manufactured goods. So he moved a sub-amendment to the Liberal motion, which condemned the Government for its failures to undertake social and economic planning, to provide agriculture with a fair share of the national income, and to combat inflation.

On the following day the publication of fresh statistics about employment gave Mr. Argue a chance to enlarge upon its seriousness. A report of the Bureau of Statistics showed that on December 13 last there were out of work and seeking jobs 440,000 persons, a figure which represented 7.2 per cent of the total civilian labor force, as compared with 5.8 per cent at mid-November and 6.5 per cent on the corresponding date in December 1957. A simultaneous report of the Department of Labor disclosed that on December 11 the number of applicants for jobs registered at the offices of the National Employment Service had been 574,287, which was 30 per cent more than the figure for mid-November and 1.6 per cent higher than the figure for the comparable date in December 1957. Faced with these ominous statistics, Mr. Starr, the Minister of Labor, tried to comfort the House by pointing out that on December 13 22,000 more workers had jobs than at the corresponding date in 1957 and predicting that when the program of special public works arranged by municipal authorities, to which the Federal Government was contributing half the cost of the payrolls and the provincial governments a quarter, was in full swing at the end of January, a marked rise in employment would be visible.

But there is considerable scepticism about the realization of this sanguine forecast. Since January began the merchants all over the country have discharged a large number of people, whom they had hired temporarily for the special Christmas trade, and substantial lay-offs of workers by large corporations have been announced. So serious is unemployment in Montreal that Cardinal Leger, the Archbishop, in a letter read recently in all Catholic churches in the city, urged their parishioners to contribute money and take other steps to alleviate the hardships of the unemployed, whose number he estimated at 80,000; and he announced later that to provide additional jobs he proposed to build houses on land which he owned. The cost of living has continued to rise and generate demands by labor for higher wages which employers say that they cannot afford, and there is no assurance that the slight recovery from the recession, which was discernible in the last quarter of 1958, will be maintained.

Embarrassments of Foreign Trade

THE real weakness of Canada's economic situation is that since the end of World War II there has been an enormous expansion, largely financed by American capital, of the country's industrial structure and other physical equipment, on the assumption that ample export markets would be avail-

able for the excess of production over the domestic demand. But the validity of this assumption has been vitiated by the failure of the international demand for Canada's surpluses to come up to expectations, and by the rise in the price level of various products, which had "priced them out" of foreign markets; and it is plain that the development of the so-called extractive industries, concerned with minerals, oil and wood, has been pushed far ahead of the markets available for them. Furthermore, Canadian producers of commodities like aluminum, asbestos and lumber have been losing markets in Europe to competitive Russian goods offered at lower prices.

In 1958 the Bureau of Statistics placed the value of gross national production at 32 billion* dollars, which was a nominal gain of 600 million dollars over the comparable figure for 1957, 31.4 billion dollars; but in view of the fact that for the trivial gain a rise in the price level was wholly responsible, and that there had been during the year a substantial enlargement of both the country's labor force and its physical equipment, it was clear that the Canadian economy was in a state of stagnation, if not actual retrogression. Such recovery as occurred late in 1958 was largely stimulated by the resurgence of economic activity in the United States, and it is on the premise that this upturn will continue and spill over further into Canada that the economic experts of the Government predict that the value of Canada's gross national production will show a greater rise in 1959 than in 1958; but they admit that it will be helped by a further advance in prices. Accordingly, the economic fortunes of Canada in 1959 will be largely determined by developments in the United States and by her ability, in face of the growing competition of exports by the Communist *bloc*, to maintain her export trade, which has always been a factor in Canadian prosperity.

Undoubtedly the Diefenbaker Ministry has to face some difficult decisions in the near future. There is increasing evidence that a substantial number of its supporters among the leaders of finance, industry and commerce are now deeply disturbed about some of its policies and their fruits, and are beginning to suspect that Mr. Diefenbaker is infected with a virus of Western agrarian radicalism, a product of his youthful environment, and cares too little about the principles and traditions of the party he now leads. They dislike the proposals for the establishment of a National Energy Board and a national system of crop insurance as dangerous adventures in collectivism; and they think that the Government's pledge to end the present monopoly of the State-owned Trans-Canada Airlines over transcontinental routes is very inadequately fulfilled by a permit to its competitor, the Canadian Pacific Airlines, to make one flight each way daily between Montreal and Vancouver with stops at Toronto and Winnipeg. They feel that inflation, which they regard as a serious menace, could be most effectively combated by paring government expenditures to the bone and increasing taxation in the next Budget; and it is understood that they have considerable support for such a policy in the Cabinet. But it is also reported to be strongly opposed by another group of Ministers, who feel that a deflationary policy would halt the expansion of the country's economic activities and produce a serious

* See previous note.—*Editor.*

recession, which would antagonize the urban workers and farmers and be ruinous to the political fortunes of the Government.

Defense in the Air

ANOTHER very thorny problem concerns policy about defense. When some months ago Mr. Diefenbaker announced that hereafter reliance for the defense of Canada would be placed largely on guided missiles rather than on aeroplanes, and that the Government, instead of placing a large order for the Arrow CF-105 plane, which the Avro Company of Canada had brought into production, would only accept delivery of a limited number of these planes pending a final decision about a large order to be reached in March, he caused great consternation not merely in the offices of the Avro Company, but among the whole Canadian aircraft industry and companies which supplied it with parts and materials. The Avro Company has been able to muster powerful support in the press and from trade unions and other interested parties for the placement of a large order for the Arrow planes, but the activities of a well-organized lobby, which has been operating in Ottawa on its behalf, have been publicly condemned by the Prime Minister.

The weight of expert evidence seems to be against any large expenditure upon the Arrow planes, which are liable to be soon obsolete, but the Government has to take cognizance of representations that, unless a substantial order for them is given, there will be a serious aggravation of unemployment in Toronto and its vicinity and a large team of highly skilled experts and technicians, which the Avro Company has recruited, will have to seek employment outside Canada. Unfortunately, the manufacture of guided missiles in Canada is impossible until the United States provides the facilities, upon which it has a stranglehold, and the pressure which the Canadian Government has applied at Washington for a fair share in the manufacture of the missiles needed for the defense of North America has so far been unsuccessful. So the *Toronto Globe and Mail*, a strong supporter of the Avro Company's cause, declares that Canada is being negotiated into military and economic servitude to the United States.

Canada,

February 1959.

SOUTH AFRICA

PROSPECTS FOR 1959 SESSION

WITHIN the next fortnight the 1959 session of the Union Parliament will be formally opened. It is the first full-length session since the General Election in April 1958, and the first in which the new Prime Minister, Dr. Verwoerd, will preside over a Cabinet of Ministers and Deputy Ministers of whom the majority are his personal supporters. There are four new Cabinet Ministers and four newly appointed Deputy Ministers. These, with one exception, belong to the more doctrinaire or extremist group of Nationalists; and most of them have been professional party organizers as well.

At the time of writing the Cabinet have not assembled in Cape Town to put the final touches to their legislative programme and, with one exception, no official announcement has as yet been made either about their plans or about the length of the session. During the Christmas and New Year holiday period a traditional political truce is observed in South Africa—something for which many citizens are profoundly grateful in a country in which party politics are virtually elevated to the status of a major industry. But before this temporary lull began there was accumulating evidence that Dr. Verwoerd does not intend to pursue a policy of *laissez-faire* in the realm of *apartheid*, and it is abundantly clear that Parliament is about to endure a tense and probably prolonged session, which may easily last into July.

The new Prime Minister lost no time after his unexpected assumption of office last September in revealing a passion for self-exaltation and a firm belief in the infallibility of his judgments. Backed by supreme self-confidence and the comforting knowledge that his Cabinet team is well under control he has been carefully preparing his "big push" towards the goal of Nationalist *apartheid*, with the result that political observers expect him to come forward with dramatic plans for bolstering up the tribal system not only in the Reserves but in the urban White areas as well. The ostensible purpose of all this is to increase African responsibilities and to promote the development of the Reserves towards greater autonomy.

Dr. Verwoerd is convinced that he is able to solve the insoluble and that he knows all the answers to the intractable problems of race relationships in the Union and on the continent of Africa. Last November, in an interview with United Press, he said that the Western world was losing the psychological battle for the mind of Africa, and that the West was seeking to outbid the Communists at their own game of attacking the White man's prestige in Africa.

Communism has one aim in Africa, [he declared]—to make the Black man resent the presence of the White man. And the Western world, also wanting to make friends of Africa—possibly to be strong enough to avoid a coming clash—is now, no doubt unwittingly, playing the same game. They are trying to outbid the others in this attack on the White man's prestige in Africa. They are afraid of suggesting that colonialism has done more good than harm.

It is reasonable to assume that these curious prime-ministerial observations flow partly from Dr. Verwoerd's resentment of adverse overseas criticism of South Africa. He is not the only member of the Cabinet who is antipathetic to such criticism and who has fulminated in the past against those in the outside world who do not approve of the policy of Nationalist *apartheid*.

Some overseas criticism of the Union has undoubtedly been extravagant, unfair, and indeed at times malicious—based quite often either on inadequate knowledge of the facts about local conditions or on a resolute refusal to ascertain the facts. But when due allowance is made for these wilful detractors, the cold, uncomfortable certainty remains that South Africa is in danger of losing friends abroad. This was plainly stated in a recent speech by Colonel P. I. Hoogenhout, the Union's former Ambassador at The Hague—a diplomatic post to which he was appointed by the Nationalist Government. Ill-will towards South Africa, said Colonel Hoogenhout, should not always be ascribed to foreign Press reports when the attitudes of other governments were really being moulded by dispatches from their diplomatic representatives in the Union. He went on to add the inexorable truth that South Africa's relations with the rest of the world were determined by the Government—in other words that it is government policy and administration and the public utterances of Cabinet Ministers upon which we are judged abroad.

In particular Colonel Hoogenhout reminded his audience that other countries maintained that there was such a thing as human rights and that we were passing oppressive and unjust laws against people who had no voice in our Parliament. In these circumstances one would assume that a wise administration would so shape its colour policy, in relation to the non-White groups in the community, as to render such contentions manifestly invalid.

At the present time qualified Native Africans in the Cape Province have a franchise on a separate electoral roll, and elect three White representatives to the House of Assembly. Native Africans in the northern Provinces are given representation in the Senate. But Dr. Verwoerd told a Nationalist Party congress towards the end of 1958 that Native representation in Parliament must disappear as soon as the system of Bantu authorities was in full operation. It is not clear from his statement whether he intends to abolish only the Native representatives in the House of Assembly, or whether a clean sweep will be made of the four representatives in the Senate as well.

Early in November Dr. Verwoerd summoned to Pretoria, the administrative capital of the Union, a number of Bantu chiefs to whom he is alleged to have made known his intentions. No official account has been published of this interview, but it has been reported that the Prime Minister urged the chiefs to go back to their people and advise them to pass resolutions calling for the abolition of parliamentary representation and the substitution for it of some sort of direct approach by tribal representatives to the Department of Native Affairs. Whether this is so cannot be stated with certainty. But this curious clandestine interview in Pretoria will no doubt be fully probed when Parliament meets.

For the past few months the fate of the Native representatives in the lower House, as well as those in the Senate, was a matter of anxious speculation not

only among Africans who have no temporary titular authority in the system of Bantu authorities—and are thus not susceptible to the flattering blandishments of the apostles of *apartheid*—but also among the majority of White South Africans. This representation forms the basis of the Hertzog legislation of 1936, which was passed by an unmanipulated two-thirds majority of both Houses of Parliament. As such it is regarded by unprejudiced persons as something which should not lightly be touched, and which should certainly not be altered by a government which can, at best, claim the support of only half the White electorate.

Tribal Ambassadors

THREE days ago, however, the new Minister of Bantu Administration and Development, Mr. de Wet Nel—who is a zealous henchman of Dr. Verwoerd's—announced in Pretoria that legislation to abolish parliamentary representation for Africans would be introduced during the session of Parliament which starts on January 23. Details of the intended legislation are not yet available. But Mr. de Wet Nel said that he wished to make the Government's intention clear because conflicting reports had appeared in the Press—two Nationalist Afrikaans-language daily papers had stated that the legislation to abolish Native representation would not be placed before the House this session.

This announcement can now be linked with an earlier statement by the Minister of Bantu Administration about legislation to provide for the appointment of "tribal ambassadors" to the Africans in the towns. Read together the two statements seem to show that Dr. Verwoerd has decided upon revolutionary changes in the pattern of African political representation, and that he intends to revive in streamlined form a Bill to provide for urban Bantu Authorities, which he produced in 1952 and which was dropped when Dr. Malan was at the head of the Government.

Mr. de Wet Nel has stated that tribal ambassadors will be appointed in this way: the territorial or ethnic authority concerned will tell him whom it wishes to appoint. The appointment will then be made in consultation with the municipality to which the "ambassador" is to be accredited. Tribal ambassadors will, it is understood, have the rank of headman, and will therefore have some judicial powers.

There has been an immediate and sharp reaction among non-Nationalists to this sudden and almost curt announcement that the Government intend to abolish African representation in Parliament in pursuit of the policy of re-establishing tribal control and limiting contact between Africans and Europeans solely to tribal chiefs' boards and the so-called tribal ambassadors. This decision is regarded by many as a further step in attempting to build a wall between the European and African people. If implemented, it will be a unilateral repudiation of the agreement reached after years of patient negotiation between different sections of the European population which was enshrined in the 1936 Hertzog legislation. It is also considered to be a gross deprivation of the very limited political rights of the Africans in the Cape

Province, given to them in place of their right to be on the Common Voters' roll.

It has been pointed out by the Native Representatives in the House of Assembly that, under the system of Bantu Authorities, chiefs and headmen can be dismissed without giving reasons and that only "yes-men" will be found in this system. In any event, they will deal only with very local affairs and have no direct representation whatever in the place where laws affecting them are made.

In an official statement to the Press the United Party has emphasized that it is opposed to any arbitrary abrogation of the rights given to Africans by the 1936 legislation, and that it believes any alteration should be introduced only after searching enquiry by a Select Committee, including taking into account responsible African opinion.

It is clear, therefore, that if the Government persist in pressing on with this proposed legislation they will meet resolute opposition at all stages. But hitherto Dr. Verwoerd, who has an inflated majority in both Houses, has not shown any disposition to be influenced by criticism, however constructive it may be. He has obviously determined to undertake a major offensive on the *apartheid* front, no doubt influenced by the more extreme northern elements who now appear to control the destinies of the Nationalist Party. For apart from the legislation foreshadowed above, he has on his hands the University *apartheid* measure—euphemistically described as the Extension of Higher Education Bill—in addition to legislation further amending the Urban Native Areas Act.

In all these circumstances, and having regard to the mood of comfortable elation in which Dr. Verwoerd will doubtless face Parliament, there is every prospect that the Union is about to embark upon a long, difficult and acrimonious session.

South Africa,
February 1959.

AUSTRALIA

THE CONSTITUTIONAL COMMITTEE'S REPORT

THE Report of the Joint Committee on Constitutional Review was presented to Parliament in October 1958. Both Houses of the Commonwealth Parliament had resolved on May 24, 1956, "that a Joint Committee be appointed to review such aspects of the working of the Constitution as the Committee considers it can most profitably consider, and to make recommendations for such amendments of the Constitution as the Committee thinks necessary in the light of experience". The Committee consisted of twelve members (excluding the Prime Minister and the Leader of the Opposition, who were *ex officio* members but took no part in its work) drawn from both Houses and from all parties. It sat on 89 days from November 1956, and heard evidence by invitation either on its own initiative or on receipt of a request from individuals or from representatives of organizations with specific interests or experience. The leaders of political parties in the States were invited to meet the Committee and there was a response from South Australia, Western Australia and Tasmania. The Committee met privately; it was felt that this procedure was best calculated to promote agreement on proposed recommendations.

The Committee stated that it had reviewed the working of the Constitution since the establishment of the Commonwealth in 1901, and that it had also attempted to estimate the demands of the foreseeable future. It was not found possible to complete a fully comprehensive review within the time available, and it was thought desirable to present a report before the dissolution of the twenty-second Parliament. The form of the report is a summary statement of the major developments in the life of Australia over the last half-century, a brief discussion of the case for amendment to the Constitution in light of those developments, and of the judicial interpretation of particular provisions of the Constitution, together with a statement, though not in draftsman's language, of proposed amendments. It was stated that a more elaborate report together with draft amendments would be submitted to the twenty-third Parliament in 1959.

The Committee drew attention to the difficulty so far experienced in securing formal alteration to the Constitution of the Commonwealth. Section 128 of the Constitution provides an amendment procedure under which a proposed alteration, after submission to the Parliament, must be submitted to a referendum, at which it must command the support of a majority of the electors voting throughout Australia and of majorities in a majority of the States. In some cases the requirements of majorities in the States are more stringent. Since 1901, twenty-four proposals, some dealing with several subjects, have been submitted to referendum and only four have been carried by the required majorities. The reasons for the failure to carry various amendment proposals are complex; the Committee considered that the main reason

has been that proposals "have usually been opposed by the opposition parties in the Federal Parliament and in their concomitant political organizations in the States", and emphasized the importance of securing party agreement at the federal level to any substantial constitutional alteration. The Committee, with one dissent, recommended an alteration to the present form of Section 128, so that in referenda majorities should henceforth be required in at least *half*, rather than in a *majority* of the States.

Within the limits of allotted space, it is not possible to do more than furnish a brief summary of the Committee's other recommendations for constitutional alteration.

Commonwealth legislative machinery. The Committee directed attention to the composition, structure and functions of the two Houses of the Federal Parliament and their relations *inter se*. It was proposed that the House of Representatives should be elected, as at present, from single-member constituencies (that is 40,000 to 50,000 voters) designed to furnish one member for each 80,000 of population and constituted, so far as practicable, on the principle of uniformity of numbers of electors. It was recommended that the tenure of Senators should be redefined to ensure that at any election for the House of Representatives there should be a simultaneous election for at least one half of the Senate. Also, provided that equality of representation of the six original States was preserved, there was no case for maintaining the requirement that the number of Senators should be as nearly as practicable one half the number of Representatives.

The Committee also considered the problem of deadlocks between the two Houses. Section 57 of the Constitution provides for the resolution of deadlocks by the device of a simultaneous dissolution of both Houses, followed by a joint sitting if the election following the double dissolution does not resolve the deadlock. Thus far in the history of the Commonwealth there have been two double dissolutions, but resort to the joint-sitting procedure has not been found necessary. Particularly in view of present electoral procedures for the Senate, the prospect of further deadlocks is far from remote, and the Committee proposed an amendment to Section 57 defining rather elaborately the circumstances under which a deadlock should be deemed to arise, and furnishing the alternative of a joint sitting to a double dissolution in the event of a deadlock. The Committee's proposals with respect to legislative machinery reflect the view that the House of Representatives should be acknowledged as the preponderant element in the federal legislature. One member dissented from the proposals with respect to the Senate and double dissolutions; while acknowledging some of the deficiencies in the Senate's performances, he believed it to be important to maintain it as a deliberative House of review "with its primary work in the protection of a proper balance between State rights and encroaching Commonwealth powers".

Concurrent legislative powers. The Committee recommended the grant of additional *concurrent* powers to the Commonwealth Parliament. A grant of such power does not automatically withdraw power from the States but resolves conflict by reference to Section 109 of the Constitution, which asserts in such cases the paramountcy of Commonwealth law. It was recommended

that additional powers be conferred on the Commonwealth Parliament with respect to—

- (1) navigation and shipping generally, that is without any distinction between inter-State and intra-State navigation and shipping;
- (2) aviation: again without regard to distinctions between inter-State and intra-State aviation;
- (3) the carrying on and promotion of scientific and industrial research;
- (4) the manufacture of nuclear fuels and use of nuclear energy and ionizing radiations;
- (5) broadcasting, television and other services involving transmission or reception by electro-magnetic means;
- (6) terms and conditions of industrial employment.

This would include power to make laws with respect to the prevention and settlement of industrial disputes by means of conciliation and arbitration, and in addition to establish authorities of the Commonwealth, and authorize authorities established by or under the law of a State to determine terms and conditions of industrial employment and to prevent and settle industrial disputes.

This recommendation is of special importance, for at present direct Commonwealth legislative powers with respect to such matters are much restricted.* Although the existing Commonwealth conciliation and arbitration power, by an interpretation of almost gothic complexity, has been given a wide operation, it does not increase the scope of direct *legislative* power, and the Committee was of opinion that this is a matter on which such power should be conferred on the Parliament. One member dissented from the recommendation to grant legislative power over conditions and terms of industrial employment on the ground that it provided "a greater extension of existing power than is desirable".

(7) Corporations, but not so as to authorize the making of laws with respect to the trade commerce or industry of corporations or which apply to corporations of a State including municipal corporations formed for governmental purposes. The Committee stated that the limited object of this recommendation was to confer power to enact a uniform companies law operating throughout Australia, but not to authorize the regulation of the business activities of corporations. One member dissented on the ground that the proposed power was too broadly expressed.

(8) Restrictive trade practices. The Committee proposed the reconstitution of the Inter-State Commission, originally contemplated by the Constitution, but rendered ineffective by decision of the High Court. The Commission as reconstituted would investigate restrictive trade practices which were or were likely to be contrary to the public interest, and would report its findings to the Parliament, which could then take legislative action.

* See "Arbitration in Australia", THE ROUND TABLE, No. 185, Dec. 1956, pp. 40-47.

(9) the organized marketing of primary products. In the first place, the power is to make laws for the submission to a poll of primary producers of proposed plans for the organized marketing of primary products; if the poll is carried by a three-fifths majority, the Parliament should have power to make laws to give effect to the plans, free from the operation of Section 92 of the Constitution. Section 92 provides that trade, commerce and intercourse among the States shall be absolutely free. Its scope and operation have been considered by the courts on many occasions and in many contexts, including marketing schemes for primary products on which it has had far-reaching operation.

The operation of Section 92 was also considered by the Committee in the context of inter-State road transport. The problem here has been the ambit of State power to regulate such transport, and more specifically to impose charges on inter-State commercial road transport. The Committee recommended in this context that, notwithstanding Section 92, a State might lawfully impose charges in respect of the carriage between States by road of persons or goods, provided that the charges were approved by the Inter-State Commission as being fair and reasonable having regard to the promotion of inter-State trade and commerce and the public interest, and that the charges, in their application to road transport, do not discriminate between the carriage of persons or goods between States.

(10) Various economic matters, specifically—

- (a) The issue, allotment or subscription of capital.
- (b) The borrowing of money either on security or without security, by corporations which engage or may engage in production, trade, commerce or other economic activities. This is subject to the qualification that it should not apply to the issue or allotment of capital out of profits or accumulated corporate reserves or to incorporated authorities of States, including local government authorities.
- (c) Hire purchase and other forms of consumer credit.
- (d) Rates of interest and other charges payable in connexion with loan on the security of land.

One member dissented from these proposals.

Commonwealth-State financial relations. The Committee noted the expression of dissatisfaction with the present framework of financial arrangements between the Commonwealth and the States. It was of opinion that some action should be taken, but found it impossible to make specific recommendations, particularly in view of the fact that the States had not put forward co-ordinated proposals. The Committee recommended that a conference of Commonwealth and State political leaders should be called to consider this matter.

New States. It was recommended that the procedure for the establishment and admission to the Commonwealth of new States be altered by no longer requiring the consent of the Parliament of the State from which it was sought to excise territory to constitute the new State, provided that at a referendum

a majority of electors in the State as a whole and in the part of the State concerned vote in favour of the formation of the proposed new State.*

THE FEDERAL ELECTIONS

ELECTIONS for the twenty-third federal Parliament were held on November 22. At the dissolution, the Liberal and Country Party coalition Government (L.C.P.) held 75 seats in the House of Representatives as against the 47 held by the Australian Labour Party (A.L.P.). Two constituencies, the Australian Capital Territory and the Northern Territory, are represented by A.L.P. members who have restricted voting rights in the House. In the Senate, the L.C.P. Government had 30 seats, and the A.L.P. 27 seats; the Democratic Labour Party (D.L.P.) was represented by two senators and the Queensland Labour Party (Q.L.P.) by one. As these three senators voted with the A.L.P. on most important issues, the Senate was occasionally deadlocked, since a 30-30 vote meant the rejection of a Bill.

For the first time for many years every seat was contested; nominations reached the record total of 500, 89 of them for the Senate. In only five constituencies (four in New South Wales and one in Western Australia) was there a straight-out contest between two candidates. In the vast majority of electorates the contest was at least triangular; and in the Victorian constituency of McMillan six candidates were nominated.

The election was primarily a contest between two major political groups. The Liberal Party (formerly the United Australia Party) resembles the British Conservative Party, but in recent years has moved more towards the centre, becoming more liberal in the process. The Country Party is essentially a sectional, rural party which has also attracted the support of some of the urban workers in country towns. In federal politics, the Liberal and the Country Parties usually campaign together and form coalition governments, although at the State level there is often a sharp conflict between them. In a few federal constituencies, this State rivalry is reflected in the nomination of candidates by both parties.

The Australian Labour Party, like the British Labour Party, has traditionally received the solid support of the majority of the trade unions. To its working-class core it added during the 'thirties an increasing proportion of the younger intellectuals and sections of the middle class. But in 1955 the A.L.P. was split deeply on various issues of policy and of personalities.† The split was most serious in the State politics of Victoria, and tended to follow sectarian lines. The split spread to all other States, and in five States the break-away groups combined to form the Democratic Labour Party (D.L.P.). Queensland was the last of the States to be affected by the split, and there the seceding right wing of the A.L.P. formed the Queensland Labour Party (Q.L.P.) with objectives very similar to those of the D.L.P. At the 1955 elections, the D.L.P. lost all its House seats in Victoria but retained a Senate seat; with the widening of the gulf, two other senators allied themselves with the D.L.P.

† See THE ROUND TABLE, No. 184, Sept. 1956, for article on the New State Movement.

* See *ibid.*, No. 181, Dec. 1955, pp. 87-92.

The large increase in the number of candidates at this federal election was brought about by the entry of D.L.P. and Q.L.P. candidates in many electorates for the first time. It was bound to split the Labour vote, and produce a keen battle for the second preferences of this Labour group, which had polled approximately 15 per cent of the first-preference votes cast in the Victorian elections in May and June 1958.

The Campaign

THE election campaign was opened by Dr. H. V. Evatt, the leader of the A.L.P., on October 16 in a speech designed to win the family vote by offering an increase of nearly £120 million on social services. These included increased child endowment, improved dental services, higher maternity allowances and old age pensions, Commonwealth Bank loans to newly married couples, and personal loans of the kind adopted by joint-stock banks in the United Kingdom. In addition to these concessions, Dr. Evatt proposed to re-examine the whole educational system with a view to extending the Commonwealth scholarship system to secondary schools as well as the universities.

The D.L.P. platform, announced five days later by Senator G. Cole, closely resembled the A.L.P. programme in many essentials. The differences were differences of policy towards socialization (which the A.L.P. has retained as an integral part of its programme, but kept in cold storage for the past decade), aid to church schools, and the practice of many trade unions of allowing A.L.P. and Communist Party candidates to stand on "unity" tickets in union elections. The D.L.P. is fanatically anti-Communist and has strongly opposed the right of trade unions to impose compulsory political levies on members. Shortly after the elections began, the decision of the Chief Justice of Tasmania in the Hursey case* strengthened the D.L.P. stand. The A.L.P. and D.L.P. were also sharply divided on questions of foreign policy; the A.L.P. would recognize Communist China and was more critical of the government programme of regional pacts (as S.E.A.T.O.) as a means of checking the spread of communism in Asia.

Immediately after Senator Cole delivered his policy speech, Dr. Evatt made a dramatic bid for D.L.P. second preferences by offering to resign the leadership of the A.L.P. in exchange for them. The offer was made without consulting his colleagues, and was one of the many unpredictable actions in the course of his career. Senator Cole quickly laid down a series of conditions which seized upon the significant differences between the two parties but proved quite unacceptable. These were the abandonment of the socialist objective and of "unity" tickets in trade union elections, the lifting of the ban on right-wing industrial groups in trade unions and the repudiation of significant parts of the foreign policy programme of the A.L.P. The electoral

* Frank and Dennis Hursey were right-wing members of the Waterside Workers Union in Hobart who refused to pay a party levy for political purposes. After being physically obstructed on various occasions as they sought work on the waterfront, the Hurseys took legal proceedings. The court ruled that compulsory political levies were not authorized by this union's rules and awarded damages and costs to the appellants. The union is appealing to the High Court.

campaign was then carried on with the A.L.P. in bitter opposition to both the D.L.P. and the Q.L.P.

Mr. Menzies delivered his policy speech two weeks later than Dr. Evatt, when much of the dust had apparently settled after Dr. Evatt's surprise bid for D.L.P. second preferences. He stood on his Government's record of achievement over a nine-year period, a programme of expanding national development designed to create an "Australia unlimited". He offered no specific promises to electors and was content to propose taxation cuts when and where they proved possible. "What Australians want is good and honest government with administrators who pursue steadfast policies, encourage growth, foster individual enterprise, preserve freedom and maintain Australia's place in the world." He stood, too, on the Government's foreign policy record: a policy of containing Communism, refusing to recognize Communist China and strong support for the S.E.A.T.O. pact and the Colombo Plan. "The dominant element in our foreign policy is, of course, to maintain friendly relations, to be good neighbours, to have powerful friends." The Country Party leader, Mr. McEwan, adopted a similar policy.

The election campaign was on the whole quiet, with few highlights until the closing stages. It was conducted mainly in some thirty seats where a small swing either way could determine the outcome. The main points of controversy were over domestic issues: the family benefits programme, deficit financing to offset the current fall in the national income, inflation, unemployment, and "unity" tickets in trade union ballots. The fall in export incomes caused difficulty in rural areas; while there was no recession such as occurred in the United States of America, all parties watched the fluctuations of unemployment with great care. Foreign policy and defence were subordinate issues during the campaign after the party policy statements. The D.L.P. tried, with little success, to make foreign policy an issue, and the A.L.P. tended to underplay it. On one issue there was complete unanimity: a refusal to recognize the Indonesian claim to West New Guinea.

During the last week of the campaign, when public opinion polls had indicated a swing of up to 6 per cent against the Government, the question of second preferences again became vital. D.L.P. and Q.L.P. leaders had issued party tickets which provided for an exchange of second preferences with the L.C.P. rather than the A.L.P. In the eastern States, church leaders attempted to define the attitude of the Roman Catholic Church to the election. A cardinal and two other archbishops spoke with rather different voices. Cardinal Gilroy of Sydney and Archbishop Duhig of Brisbane adopted the traditional view of the Roman Catholic Church, dissociating it from any political party but pointing out that only a vote for the Communist Party was specifically prohibited by the Church. The A.L.P. tried to make political capital out of this in a last minute bid for D.L.P. second preferences directed to Roman Catholic voters. This led to a firm statement by Archbishop Mannix of Melbourne on the eve of the poll, commending the D.L.P. and attacking the A.L.P. because the Communist Party was giving it support. His statement, later supported by other members of the Roman Catholic hierarchy, played an important part in influencing voters.

Despite general predictions, the normal swing of the pendulum against the Menzies Government did not take place. It won 77 House seats (58 Liberal, 19 Country Party) as against 45 seats by the A.L.P., thus slightly increasing its majority. The D.L.P. polled strongly in Victoria (14.7 per cent), losing little ground since 1955. In other States its percentage was much less, averaging just over 9 for Australia as a whole. In both Victoria and New South Wales, D.L.P. second preferences were decisive in swinging a number of close seats against the A.L.P. In Queensland, the Q.L.P. majority was 11 per cent over all; it was higher in several constituencies, and in at least two decided the result against the sitting A.L.P. members.

The Senate vote was much closer, because of the complicated Hare-Clark system of proportional representation. Each State acts as a single constituency returning five members at each election; on this occasion, an additional casual vacancy had to be filled in both New South Wales and Victoria. Fourteen L.C.P. senators, sixteen A.L.P. and two D.L.P.-Q.L.P. senators faced re-election. The Government had to capture at least one new seat to give it a working majority and to prevent the D.L.P.-Q.L.P. from holding the balance of power. It won additional seats in Western Australia and Queensland and now holds 32 seats as compared with 28 seats held by A.L.P., D.L.P. and Q.L.P.*

The election showed conclusively that a divided Labour Party cannot win control of the federal Government, and the major problem facing it is how to restore party unity before the next triennial election. The difficulties are partly policy problems and partly questions of personality. Although the election appeared as a battle between two dominant political leaders, and the Prime Minister was subjected to considerable personal heckling, the election was decided largely on questions of policy rather than of personality. The vital issues of socialization, unity tickets in trade union elections and aid to church schools, and certain issues of foreign policy, have to be resolved by the left and right wings of the A.L.P. In a country whose economy is rapidly expanding and where incomes are rising steadily, many strong A.L.P. voters have moved into a middle-class bracket; the socialization plank appears much less relevant than it did either when first adopted or during the depression of the 'thirties. Intellectuals in the A.L.P. are dubious about it. The sectarian issue which has plagued the party is tied up with the question of socialization as well as the A.L.P. attitude to militant trade unionism, and has aroused widespread concern. What is not clear is the composition and backing of the D.L.P. The swinging voter has always played an important role in Australian elections. It is possible that the D.L.P. may be taking shape as a centre party drawing support from dissatisfied A.L.P. voters and critical L.C.P. voters.

Australia,
February 1959.

* The new Senate will be convened after July 1, 1959, but the Government gained control of the old Senate when Parliament resumed its sittings in 1959. It won a casual vacancy caused by the death of an A.L.P. senator from N.S.W.

NEW ZEALAND

MINISTERIAL MISSIONS

THE Prime Minister (Mr. Nash), who is also Minister of External Affairs, returned in October after attending the ANZUS meeting in Washington and the General Assembly of the United Nations in New York. Whilst he was abroad he had discussions with political leaders in America and Canada, and he has said since his return that the time taken in these discussions represents some of the most profitable days he has known. On his return from the ANZUS meeting Mr. Nash stated that, in spite of New Zealand's obligations under the Treaty, the country would not have to support hostilities in defence of Quemoy and the other off-shore islands on the China Coast. He also said that everywhere he went he met with the opinion that the Government of Peking must eventually be recognized. New Zealanders in general dislike the Peking Government, but the time has come when its permanence and its ability to govern can no longer be doubted and there will have been general agreement throughout the country with Mr. Nash's view that the Government of mainland China must some day be recognized.

Mr. Nash left again on November 7 to attend the meeting of the Consultative Committee of the Colombo Plan at Seattle and returned home on November 19. At the meeting he stated New Zealand's position, "I wish . . . to express New Zealand's determination to continue to do what it can to assist the economic advancement of our Asian neighbours." When asked by the Press on his return whether the meeting had resulted in any new policies he replied "Not really"; that the most important thing was that the United States were now formally in the scheme, although they had in fact already done more than any other country in rendering technical assistance in South-east Asia.

The Deputy Prime Minister and Minister of Agriculture (Mr. Skinner) left for London on November 20 to discuss problems related to the market for dairy produce. He said, without giving details, that his talks with the United Kingdom Minister of Agriculture would be directed towards finding whether it would be possible to regulate the British market for butter so that sudden gluts and shortages could be avoided. He arrived in London at a time when butter had risen sharply in price, and his discussions will not have been made easy by that fact. On December 23 the British Government announced that it had reviewed the butter situation with Mr. Skinner and had decided, in view of the changed market conditions in the United Kingdom, to remove the quota restrictions on butter from certain European countries, which had been imposed last May.

The Minister of Finance (Mr. Nordmeyer), who attended the Commonwealth Economic Conference at Montreal in September, went from there to London for a week for discussions on matters of common interest between the United Kingdom and New Zealand. When he returned he was non-committal about the London conversations, which suggested that his aim

was to exchange views about economic affairs in general rather than to make arrangements on specific matters, although it is clear from what he said that he prepared the ground for further borrowing in London next year, and that he found the prospects not unpromising. He went on from London to attend the meeting of GATT in Geneva, where he expressed himself strongly about the systems of agricultural protectionism in many countries which have caused harm to the economics of countries, such as New Zealand, that export primary produce. He said it was time that the provisions of GATT were operated for the benefit and protection of agricultural economies against unfair trading, since they had been operated so successfully to the advantage of the more industrialized countries.

The frequent absences abroad of the Prime Minister and Minister of External Affairs have led to very widespread criticism of the unwisdom of one man's trying to combine these two duties, particularly since it is desirable, in fact necessary, for New Zealand's Minister of External Affairs to spend a considerable part of his time abroad. The obvious results of the Prime Minister's duality of rôles are reflected in the deferment of important decisions, including appointments to vacant diplomatic posts.* The criticism is growing as the effects of the lack of decision become more obvious.

A Maori Diplomatist

THE recent appointment of Mr. C. M. Bennett as New Zealand's first High Commissioner in Malaya† has been widely acclaimed as an excellent choice. Not only is he a distinguished member of the Maori race, but he is also a New Zealander well qualified to represent the Dominion abroad. Mr. Bennett, who is a son of the first Bishop of Aotearoa (the Maori see), has had a distinguished record. He holds the M.A. degree of the New Zealand University, was for a time Commander of the Maori Battalion in the Middle East during World War II, and later was controller of Maori welfare in the Maori Affairs Department. He went to Oxford last year to make a special study of racial relations and the cultural adjustment of native races. He had intended to submit the results of his research as his thesis for his D.Phil. degree, but has had to abandon this plan so as to take up his new appointment.

The Prime Minister, in announcing the appointment, said that Mr. Bennett was selected not because he was a Maori, nor even because he was a distinguished Maori, but because he was a New Zealander particularly well qualified to represent his country abroad. In stating it in that way Mr. Nash was ignoring the good reasons why a Maori, provided he has the necessary qualifications, should be selected for a diplomatic post and for this post in particular. It is a significant gesture at a time when so many other countries are divided by racial troubles; it should be an encouragement to the Maori race, and it should create a good impression on the people of South-east Asia. Furthermore, Mr. Bennett should be specially well qualified to explain

* See THE ROUND TABLE, No. 193, Dec. 1958, p. 91.

† Ibid., p. 92.

to his Government the outlook and aspirations of the Malayan and other Eastern races.

Overseas Trade

THE last year has been New Zealand's worst trading year since the early 1930's, and the totals for the twelve months ended September 30, 1958, indicate the extent of the problem this has created. The figures for that particular period are interesting in that they include, more completely than do the figures for any other date, the export returns for a full farming year. The receipts and payments of foreign exchange are shown in the following table:

	Years ended	
	September 1957	September 1958
	£ million	
Export receipts	290	264
Other receipts	45	61
	<u>335</u>	<u>325</u>
Government payments	45	51
Private imports	253	254
Other payments	42	50
	<u>340</u>	<u>355</u>
Balance	-5	-30

These figures do not, however, disclose the full story, in that the item "Other receipts" for the 1958 year included a sum of £22.6 million of overseas borrowings. The deficit, exclusive of these receipts of overseas loans, was therefore in excess of £52 million. It was announced on October 1 that short-term borrowings had been arranged in New York through a group of American bankers headed by J. P. Morgan & Co. to the dollar equivalent of about £16.4 million, of which £12.3 million would be a three-year loan secured by gold and the remaining £4.1 million a one-year revolving credit. It had been announced earlier that an arrangement had also been made with the Midland Bank, London, for New Zealand to borrow £10 million by way of overdraft for a period of two years. These transactions take New Zealand's overseas borrowings for the year to a total of over £54 million. The Minister of Finance stated that no further borrowing will be necessary this year, but that on present outlook for export prices external borrowing, although at a much lower level, will have to be resorted to next year in order to maintain internal activity.

Prospects for exports have been improving during the past few months. Cheese and butter prices have risen sharply and the price of milk powder has also increased. The immediate future for butter will, however, remain somewhat uncertain until the effects can be judged of the recent removal of quota restrictions from certain European countries.

Meat prices are good and seem likely to remain so during the production

season just beginning. The wool-selling season opened in October, and although prices have improved little from the low levels ruling at the closing sales last season, the underlying tone is not discouraging and the trade is hopeful of better prices in the New Year. Export returns are, however, most unlikely to be able to support the economy at anything like its present level of internal activity without the aid of some oversea borrowing next year.

The Ottawa Agreement of 1932 provided for the extension of tariff preferences between the United Kingdom and New Zealand. The duties in favour of New Zealand goods entering the United Kingdom were in some important instances, including butter, expressed as a fixed sum per hundredweight or other quantity. The preferences in favour of British goods entering New Zealand were expressed as a percentage *ad valorem*. Rising prices since 1932 have eroded the value of the specific duties on quantities granted to New Zealand, whereas the preferences in favour of British goods entering New Zealand, being on an *ad valorem* basis, have retained their full value. The balance of advantage has therefore moved against New Zealand. Because of this and as New Zealand is now faced with the need for developing new markets for some of her primary produce, a request for a review of the treaty was made, and negotiations have been proceeding since last April.

It was announced on November 26 that new heads of agreement had been signed by the two Governments providing the basis for a new trade pact. In place of the 20 per cent margin of preference afforded to British goods, New Zealand now has the right to reduce preferences to 5 per cent for a limited range of essential goods, to $7\frac{1}{2}$ per cent for a wider range of raw materials and consumer goods, and to 10 per cent for all other goods. All existing rights and preferences for New Zealand goods entering the United Kingdom market have been preserved.

Britain will still remain by far the most important market for New Zealand foodstuffs and the main source of its imports, but it cannot be looked upon as a limitless market. Although there is no reason for believing that the new rates will materially affect the volume of trade between the two countries, New Zealand will now have more room to manoeuvre when bargaining with foreign countries.

Internal Business Activity

LOWER prices for exports, the operation of the recently introduced system of P.A.Y.E. taxation and the general expectation of a reduction in the volume of retail demand have tended to reduce the buoyancy of trade. On the other hand these forces have been counterbalanced to some extent by the maintenance of a relatively high guaranteed price to dairy farmers for butter fat, and by the attitude of the public who appear to be more willing to allow their savings to fall than to accept a reduction in their standards of consumption. The larger shops report that the volume of retail trade is lower than a year ago and more strenuous selling efforts are having to be made. In particular there is a slump in trade in semi-durable goods, such as refrigerators and washing machines. Although the general picture is one of lower turnovers, retail demand will have to fall still further if the flow of

imports is to be reduced to a level that can be paid for out of exports, on any assessment of future export prices that seems reasonable at present.

There is very little unemployment—the official statistics showed only 1,100 registered unemployed at the end of October—although there has been a significant fall in the number of vacant jobs. During the year the demand for capital has continued to exceed the supply, the buying pressure for government securities has disappeared, and the rate of growth of small savings has slowed down.

Geothermal Power

A DRAMATIC event in the history of New Zealand power production took place on November 16 when the first power—although as yet only a token 1,500 kilowatts—was fed into the national electricity grid from the geothermal power station at Wairakei. Behind the event lie years of work on the host of scientific and engineering problems which had to be solved before geothermal power could be a reality. Thermal activity in the North Island of New Zealand is concentrated around sixteen centres in a comparatively limited area. One of the largest is Wairakei, about five miles north of Lake Taupo, and it was this centre that was selected in 1950 as a test area for investigation for power production. Drilling began that year, and the early bores not only provided material for study, but also enabled the scientists to carry out tests to learn whether the continual discharges from the bores would reduce the pressure of steam. Drilling has continued throughout the past eight years; the bores have been discharging continuously, but there are no signs of exhaustion.

By 1955 research and investigation had advanced to a stage where it was possible to let a contract for the erection of a power station designed to provide installed generating capacity of 69,000 kilowatts delivered from eight turbine generators. The steam is piped to the power-house from the bores about a mile away in pipes 20 inches in diameter carrying a pressure of 180 pounds to the square inch. About 60 bores have been put down in the boring area, ranging in depth from 1,150 feet to over 3,000 feet, and they are being incorporated in the power scheme when necessary. The 69,000-kilowatt station which will be in full operation in the coming months is the first stage in the Wairakei geothermal power scheme, and is to be followed by a second stage, already approved, bringing output to 151,000 kilowatts. After that, provided nothing unforeseen occurs, there is to be a third stage bringing capacity to 250,000 kilowatts which would make the power station the largest in the North Island. Tests are now being carried out in other thermal centres and it seems reasonable to expect that in years to come power schemes similar to Wairakei will be developed as required.

New Zealand,
February 1959.

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